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2004-2005/25

National Defense Authorization

NATIONAL DEFENSE AUTHORIZATION ACT  
FOR FISCAL YEAR 2005—H.R. 4200

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED  
PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

TOTAL FORCE SUBCOMMITTEE HEARINGS

ON

TITLE IV—MILITARY PERSONNEL  
AUTHORIZATIONS

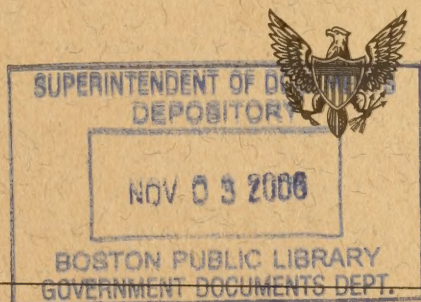
TITLE V—MILITARY PERSONNEL POLICY

TITLE VI—COMPENSATION AND OTHER  
PERSONNEL BENEFITS

TITLE VII—HEALTH CARE PROVISIONS

HEARINGS HELD

JANUARY 21, FEBRUARY 25, MARCH 3, 10, 18, 24, AND 31, 2004









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ON

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[There were no Documents submitted.]

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[There were no Questions submitted.]

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108TH CONGRESS  
2D SESSION

## H. R. 4200

To authorize appropriations for fiscal year 2005 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 2005, and for other purposes.

### IN THE HOUSE OF REPRESENTATIVES

APRIL 22, 2004

MR. HUNTER (for himself and Mr. SKELTON) (both by request) introduced the following bill; which was referred to the Committee on Armed Services

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### A BILL

To authorize appropriations for fiscal year 2005 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 2005, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may be cited as the “National Defense Authorization Act for Fiscal Year 2005”.

\* \* \* \* \*

## TITLE IV—MILITARY PERSONNEL AUTHORIZATIONS

### Subtitle A—Active Forces

#### SEC. 401. END STRENGTHS FOR ACTIVE FORCES.

The Armed Forces are authorized strengths for active duty personnel as of September 30, 2005, as follows:

- (1) The Army, 482,400.
- (2) The Navy, 365,900.
- (3) The Marine Corps, 175,000.
- (4) The Air Force, 359,700.

#### SEC. 402. NEW TITLE FOR THE VICE CHIEF OF THE NATIONAL GUARD BUREAU.

(a) IN GENERAL.—Section 10505 of title 10, United States Code, is amended by striking “Vice Chief of the National Guard Bureau” each place it appears and inserting “Director of the Joint Staff of the National Guard Bureau”.

(b) CLERICAL AMENDMENTS.—(1) The heading of such section is amended by striking “Vice Chief of the National Guard Bureau” and inserting “Director of the Joint Staff of the National Guard Bureau”.

(2) The item relating to such section in the table of sections at the beginning of chapter 1011 of such title is amended by striking “Vice Chief of the National

Guard Bureau” and inserting “Director of the Joint Staff of the National Guard Bureau”.

## Subtitle B—Reserve Forces

### SEC. 411. END STRENGTHS FOR SELECTED RESERVE.

(a) IN GENERAL.—The Armed Forces are authorized strengths for Selected Reserve personnel of the reserve components as of September 30, 2005, as follows:

- (1) The Army National Guard of the United States, 350,000.
- (2) The Army Reserve, 205,000.
- (3) The Naval Reserve, 83,400.
- (4) The Marine Corps Reserve, 39,600.
- (5) The Air National Guard of the United States, 106,800.
- (6) The Air Force Reserve, 76,100.
- (7) The Coast Guard Reserve, 10,000.

(b) ADJUSTMENTS.—The end strengths prescribed by subsection (a) for the Selected Reserve of any reserve component shall be proportionately reduced by—

(1) the total authorized strength of units organized to serve as units of the Selected Reserve of such component which are on active duty (other than for training) at the end of the fiscal year; and

(2) the total number of individual members not in units organized to serve as units of the Selected Reserve of such component who are on active duty (other than for training or for unsatisfactory participation in training) without their consent at the end of the fiscal year.

Whenever such units or such individual members are released from active duty during any fiscal year, the end strength prescribed for such fiscal year for the Selected Reserve of such reserve component shall be increased proportionately by the total authorized strengths of such units and by the total number of such individual members.

### SEC. 412. END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES.

Within the end strengths prescribed in section 411(a), the reserve components of the Armed Forces are authorized, as of September 30, 2005, the following number of Reserves to be serving on full-time active duty or full-time duty, in the case of members of the National Guard, for the purpose of organizing, administering, recruiting, instructing, or training the reserve components:

- (1) The Army National Guard of the United States, 26,476.
- (2) The Army Reserve, 14,970.
- (3) The Naval Reserve, 14,152.
- (4) The Marine Corps Reserve, 2,261.
- (5) The Air National Guard of the United States, 12,225.
- (6) The Air Force Reserve, 1,900.

### SEC. 413. END STRENGTHS FOR MILITARY TECHNICIANS (DUAL STATUS).

The minimum number of military technicians (dual status) as of the last day of fiscal year 2005 for the reserve components of the Army and the Air Force (notwithstanding section 129 of title 10, United States Code) shall be the following:

- (1) For the Army Reserve, 7,299.
- (2) For the Army National Guard of the United States, 25,076.
- (3) For the Air Force Reserve, 9,954.
- (4) For the Air National Guard of the United States, 22,956.

### SEC. 414. FISCAL YEAR 2005 LIMITATION ON NUMBER OF NON-DUAL STATUS TECHNICIANS.

(a) LIMITATIONS.—(1) Within the limitation provided in section 10217(c)(2) of title 10, United States Code, the number of non-dual status technicians employed by the National Guard as of September 30, 2005, may not exceed the following:

- (A) For the Army National Guard of the United States, 1,600.
- (B) For the Air National Guard of the United States, 350.

(2) The number of non-dual status technicians employed by the Army Reserve as of September 30, 2005, may not exceed 795.

(3) The number of non-dual status technicians employed by the Air Force Reserve as of September 30, 2005, may not exceed 90.

(b) NON DUAL STATUS TECHNICIANS DEFINED.—In this section, the term “non-dual status technician” has the meaning given that term in section 10217(a) of title 10, United States Code.



**SEC. 415. SPECIAL RULE FOR COMPUTING THE HIGH 0936 MONTH AVERAGE FOR RESERVE COMPONENT MEMBERS.**

(a) COMPUTATION OF HIGH 36 09 MONTH AVERAGE.—Subsection (c) of section 1407 of title 10, United States Code, is amended by adding at the end the following new paragraph:

“(3) SPECIAL RULE FOR RESERVE COMPONENT MEMBERS—

“(A) HIGH 0936 MONTH AVERAGE FOR DISABILITY RETIRED PAY.—The high-three average of a Reserve component member entitled to retired pay under section 1201 or 1202 of this title, or a spouse of a Reserve component member entitled to a survivor benefit plan annuity under section 1448(d)(1)(B) of this title, is the amount equal to—

“(i) the total amount of monthly basic pay to which the member was entitled during the member's high-36 months (or to which the member would have been entitled if the member had served on active duty during the entire period of the member's high-36 months), divided by

“(ii) 36.

“(B) SHORT 09 TERM DISABILITY RETIRED PAY.—Notwithstanding subparagraph (A), the high-three average of a Reserve component member with less than 36 months who is entitled to retired pay under section 1201 or 1202 of this title, or a spouse of a Reserve component member entitled to a survivor benefit plan annuity under section 1448(d)(1)(B) of this title, is the amount equal to—

“(i) the total amount of monthly basic pay to which the member was entitled during the entire period the member was a member of a uniformed service before being so retired (or to which the member would have been entitled if the member had served on active duty during the entire period the member was a member of a uniformed service before being so retired), divided by

“(ii) the number of months (including any fraction thereof) during which the member was a member before so retiring.”.

(b) EFFECTIVE DATE.—For purposes of determining the annuity for the spouse of a member who died while on active duty, the amendments made by this section shall take effect as of September 10, 2001.

## **TITLE V—MILITARY PERSONNEL POLICY**

### **Subtitle A—Officer Personnel Policy**

**SEC. 501. TRANSITION OF ACTIVE 09DUTY LIST OFFICER FORCE TO ALL REGULAR STATUS.**

(a) ELIMINATE REQUIREMENT THAT ALL ACTIVE DUTY OFFICERS SERVE IN A RESERVE STATUS FOR AT LEAST ONE YEAR.—Section 532 of title 10, United States Code, is amended by striking subsection (e).

(b) AMEND THE QUALIFICATIONS FOR ORIGINAL APPOINTMENT AS A COMMISSIONED OFFICER.—Section 532 is further amended—

(1) in subsection (a)—

(A) by striking paragraph (2); and

(B) by redesignating paragraphs (3), (4), and (5) as paragraphs (2), (3), and (4), respectively; and

(2) by adding at the end the following new subsection:

“(f) The Secretary of Defense may waive the requirement of subsection (a)(1) with respect to an alien lawfully admitted to permanent residence when the Secretary determines that the national security so requires.”.

(c) ELIMINATE LIMITATIONS PLACED ON TOTAL STRENGTH OF REGULAR COMMISSIONED OFFICERS SERVING ON THE ACTIVE-DUTY LIST.—Section 522 of such title is repealed.

(d) ELIMINATE SENATE CONFIRMATION FOR ORIGINAL APPOINTMENTS OF COMMISSIONED OFFICERS.—Section 531(a) of such title is amended to read as follows:

“(a) Original appointments in the grades of second lieutenant through captain in the Regular Army, Regular Air Force, and Regular Marine Corps and in the grades of ensign through lieutenant in the Regular Navy shall be made by the President. The President may delegate this authority to the Secretary of Defense. Original appointments in the grades of major, lieutenant colonel and colonel in the Regular Army, Regular Air Force, and Regular Marine Corps and in the grades of lieutenant commander, commander and captain in the Regular Navy shall be made by the President, by and with the advice and consent of the Senate.”.

(e) FORCE SHAPING AUTHORITY.—(1) Chapter 36 of such title is amended by adding after section 646 the following new section:

**“§ 647. Force shaping authority**

“(a) IN GENERAL.—Under regulations prescribed by the Secretary concerned, for force shaping purposes only, the Secretary may discharge or transfer an officer on the active-duty list to the reserve active-status list, who:

“(1) has 7 years or less of commissioned service; or

“(2) has more than 7 years commissioned service, but has not completed his minimum service obligation.

“(b) DEFINITION.—In this section, the term ‘minimum service obligation’ means—

“(1) the initial period of required active duty service; and

“(2) any additional period of required active duty service incurred during the initial period of required active duty service.”.

(f) ELIGIBILITY FOR SEPARATION PAY UPON INVOLUNTARY DISCHARGE.—Section 1174(e)(2)(B) of such title is amended by inserting after “service” the following: “, except under conditions as described in section 647 of this title”.

(g) ELIMINATE REQUIREMENT FOR OATH UPON TRANSITION FROM ACTIVE COMPONENT TO RESERVE COMPONENT.—Section 12201(a) of such title is amended by inserting after the first sentence the following new sentence: “An officer who transfers from the active-duty list to the reserve active-status list is not required to subscribe to the oath prescribed by section 3331 of title 5.”.

(h) AUTHORITY TO APPOINT RESERVE OFFICERS TRANSFERRED FROM THE ACTIVE-DUTY LIST TO THE RESERVE ACTIVE-STATUS LIST.—Section 12203 of such title is amended—

(1) by redesignating subsection (b) as subsection (c); and

(2) by inserting after subsection (a) the following new subsection (b):

“(b) Notwithstanding the requirements of subsection (a), appointments of officers transferred from the active-duty list to the reserve active-status list shall be made by the Secretary concerned.”.

(i) TRANSFER OF OFFICERS FROM THE RESERVE ACTIVE-STATUS LIST TO THE ACTIVE-DUTY LIST.—Section 531 of such title is amended by adding at the end the following new subsection:

“(c) Appointments in the Regular Army, Regular Air Force, Regular Navy and Regular Marine Corps of officers holding Reserve commissions may be made by the Secretary concerned.”.

(j) EXEMPT READY RESERVE OFFICERS FROM THE ACTIVE-DUTY LIST.—Section 641(1)(F) of such title is amended to read as follows:

“(F) ordered to active duty under sections 12302 and 12304 of this title.”.

(k) DELETION OF REQUIREMENT TO SERVE 6 YEARS IN THE RESERVE COMPONENT TO MEET RETIREMENT ELIGIBILITY.—Section 12731(a) of such title is amended—

(1) by inserting “and” at the end of paragraph (2);

(2) by striking paragraph (3); and

(3) by redesignating paragraph (4) as paragraph (3).

(l) ALL REGULAR OFFICER APPOINTMENTS FOR STUDENTS ATTENDING THE UNIVERSITY OF HEALTH SCIENCES.—Section 2114(b) of such title is amended by striking “Notwithstanding any other provision of law, they shall serve on active duty in pay grade O-1 with full pay and allowances of that grade. Upon graduation they shall be appointed in a regular component, if qualified, unless they are covered by section 2115 of this title.” and inserting “Notwithstanding any other provision of law, they shall be appointed in the regular component and shall serve on active duty as an O-1 with full pay and allowances of that grade. Upon graduation they shall be required to serve on active duty unless covered by section 2115 of this title.”.

(m) EFFECTIVE DATE.—The amendments made by this section shall take effect six months after the date of enactment of this Act.

**SEC. 502. STRENGTH IN GRADE: COMMISSIONED OFFICERS IN GRADES BELOW BRIGADIER GENERAL OR REAR ADMIRAL (LOWER HALF) IN AN ACTIVE STATUS.**

Section 12005(c)(1), of title 10, United States Code, is amended by amending the table to read as follows:

“Colonel— .....	2 percent
Lieutenant colonel— .....	8 percent
Major— .....	16 percent
Captain— .....	39 percent
First lieutenant and second lieutenant (when combined with the number authorized for general officer grades under section 12004 of this title)— .....	35 percent.”.



**SEC. 503. JOINT DUTY CREDIT REQUIRED FOR PROMOTION TO FLAG OR GENERAL OFFICER.**

Section 619a(b) of title 10, United States Code, is amended—

(1) in paragraph (2), by striking “scientific and technical” and inserting “a career field specialty”; and

(2) in paragraph (4), by striking “if—” and all that follows and inserting “if the officer’s total consecutive service in joint duty assignments within that immediate organization meets the requirements of section 664 of this title for full joint duty credit.”

**SEC. 504. REVISED PROMOTION POLICY OBJECTIVES FOR JOINT OFFICERS.**

(a) IN GENERAL.—Section 662(a) of title 10, United States Code, is amended to read as follows:

“(a) QUALIFICATIONS.—(1) The military departments shall establish internal procedures and processes necessary to validate the qualifications of active duty list officers assigned to joint duty activities, as defined in section 668 of this title. These internal measures will ensure an adequate number of senior colonels, or in the case of the Navy, captains, are eligible for promotion to brigadier general and rear admiral (lower half) to meet the requirements of section 619a of this title.

“(2) The Secretary of Defense shall ensure that the qualifications of officers assigned to joint duty assignments are such that—

“(A) officers who are serving on or have served on the Joint Staff are expected, as a group, to be promoted to the next higher grade at a rate not less than the rate for officers of the same armed force in the same grade and competitive category who are serving on the headquarters staff of their armed force; and

“(B) officers (other than officers in subparagraph (A)) who are serving in or have served in joint duty assignments are expected, as a group, to be promoted to the next higher grade at a rate not less than the rate for all officers of the same armed force in the same grade and competitive category.

“(3) The Secretary of Defense will develop policies to ensure Secretaries of the military departments provide appropriate consideration to joint service officers eligible for promotion selection boards.”

(b) CONFORMING AMENDMENT.—Subsection (b) of such section is amended by striking “(1), (2), and (3)” and inserting “(1)(A) and (1)(B)”.

**SEC. 505. MODIFY LENGTH OF JOINT DUTY ASSIGNMENTS.**

Section 664 of title 10, United States Code, is amended to read as follows:

**“§ 664. Length of joint duty assignments**

“(a) LENGTH OF JOINT DUTY ASSIGNMENTS.—In the case of officers serving in a grade not less than Major, or, in the case of the Navy, Lieutenant Commander, the length of a joint duty assignment will mirror the standard tour length the Secretary of Defense establishes for each installation or location authorized for joint duty assignments as specified in section 668 of this title. Joint duty credit is awarded as provided by subsection (c). Duty at a qualified joint task force headquarters requires one year of total service credited in the manner specified in subsection (c).

“(b) EXCLUSIONS FROM TOUR LENGTH.—The Secretary of a military department may request that the joint activity to which an officer is assigned curtail the officer’s joint assignment. The officer will receive full credit for service when an assignment was curtailed from the standards prescribed in subsection (a), provided the officer has served at least 24 months in a joint position with a tour length of greater than 24 months, or the full term of a Secretary of Defense-established tour length, and the joint activity agreed to the curtailment.

“(c) FULL CREDIT FOR JOINT DUTY.—An officer shall be considered to have completed a full tour of joint duty in a joint duty assignment for the purposes of awarding full credit upon the completion of any of the following:

“(1) A joint duty assignment that meets the standards prescribed in subsection (a) or (b).

“(2) Accumulation of partial credit totaling one year of service earned by service in one or more joint task force headquarters as specified in subsection (a).

“(3) A joint duty assignment with respect to which the Secretary of Defense has granted a waiver under subsection (d).

“(4) A second joint duty assignment that is less than 24 months, without regard to the nature of credit awarded to the officer for his or her first assignment in a Joint Duty Assignment List position.

“(d) WAIVER AUTHORITY.—The Secretary of Defense may waive this section when it is considered essential for military personnel management. The Secretary may grant such a waiver only on a case-by-case basis for a specific officer.”

**SEC. 506. MANAGEMENT OF JOINT SPECIALTY OFFICERS.**

Section 661 of title 10, United States Code, is amended—

(1) in subsection (c)—

(A) by amending paragraph (1) to read as follows:

“(1) An officer will be designated with a joint specialty officer identifier after the officer—

“(A) successfully completes a Chairman of the Joint Chiefs of Staff accredited program from a joint professional military education institution and successfully completes a full tour of duty in a joint duty assignment (not necessarily in this order); or

“(B) successfully completes two full tours of duty in joint duty assignments.”;

(B) by striking paragraphs (2) and (3); and

(C) by redesignating paragraph (4) as paragraph (2);

(2) by striking subsection (d);

(3) by redesignating subsections (e) and (f) as subsections (d) and (e), respectively; and

(4) by amending subsection (d), as redesignated by paragraph (3), to read as follows:

“(d) **JOINT SPECIALTY OFFICER DESIGNATION FOR GENERAL AND FLAG POSITIONS.**—The Secretary shall ensure that general and flag officer joint duty assignments that require officers with the joint specialty will be designated as requiring a joint specialty officer. Once a position is designated as requiring a joint specialty officer, a non-joint specialty officer can be assigned to the position only if the Secretary deems the assignment of a non-joint specialty officer necessary and waives the requirement to assign a joint specialty officer.”.

**SEC. 507. ELIMINATE DISTRIBUTION QUOTAS FOR GENERAL AND FLAG OFFICERS SERVING IN THE GRADES OF O-7 AND O-8.**

Section 525 of title 10, United States Code, is amended—

(1) by repealing subsection (a); and

(2) by redesignating subsections (b), (c), and (d) as subsections (a), (b), and (c), respectively.

**SEC. 508. ELIMINATE MANDATORY RETIREMENT OF ACTIVE DUTY GENERAL AND FLAG OFFICERS AFTER 30 YEARS OF SERVICE.**

(a) **IN GENERAL.**—Sections 635 and 636 of title 10, United States Code, are repealed.

(b) **TECHNICAL AND CONFORMING AMENDMENTS.**—(1) Section 637(b) of such title is amended—

(A) by striking paragraph (2); and

(B) by redesignating paragraph (3) as paragraph (2).

(2) The table of sections at the beginning of subchapter III of chapter 36 of such title is amended by striking the items relating to sections 635 and 636.

**SEC. 509. LENGTH OF TERMS FOR THE ASSISTANTS TO THE CHAIRMAN OF THE JOINT CHIEFS OF STAFF FOR NATIONAL GUARD AND RESERVE MATTERS.**

Subsection (c) of section 901 of the National Defense Authorization Act for Fiscal Year 1998 (Public Law 105-85; 111 Stat. 1853), is amended by striking “for a term of two years and may be continued in that assignment in the same manner for one additional term. However, in time of war there is no limit on the number of terms.”.

**SEC. 510. LENGTH OF SERVICE FOR THE SENIOR LEADERS OF THE MILITARY DEPARTMENTS.**

(a) **CHIEF OF STAFF OF THE ARMY.**—Paragraph (1) of section 3033(a) of title 10, United States Code, is amended to read as follows:

“(a)(1) There is a Chief of Staff of the Army, appointed for a period of four years by the President, by and with the advice and consent of the Senate, from the general officers of the Army. He serves at the pleasure of the President, and the President may extend the length of service as he determines necessary.”.

(b) **CHIEF OF NAVAL OPERATIONS.**—Paragraph (1) of section 5033(a) of such title is amended to read as follows:

“(a)(1) There is a Chief of Naval Operations, appointed by the President, by and with the advice and consent of the Senate. The Chief of Naval Operations shall be appointed for a term of four years, from officers on the active-duty list in the line of the Navy who are eligible to command at sea and who hold the grade of rear admiral or above. He serves at the pleasure of the President, and the President may extend the length of service as he determines necessary.”.

(c) **COMMANDANT OF THE MARINE CORPS.**—Paragraph (1) of section 5043(a) of such title is amended to read as follows:



"(a)(1) There is a Commandant of the Marine Corps, appointed by the President, by and with the advice and consent of the Senate. The Commandant shall be appointed for a term of four years from officers on the active-duty list of the Marine Corps not below the grade of colonel. He serves at the pleasure of the President, and the President may extend the length of service as he determines necessary."

(d) CHIEF OF STAFF OF THE AIR FORCE.—Paragraph (1) of section 8033(a) of such title is amended to read as follows:

"(a)(1) There is a Chief of Staff of the Air Force, appointed for a period of four years by the President, by and with the advice and consent of the Senate, from the general officers of the Air Force. He serves at the pleasure of the President, and the President may extend the length of service as he determines necessary."

#### SEC. 511. EXTENDING AGE LIMITS FOR ACTIVE DUTY GENERAL AND FLAG OFFICERS.

Section 1251 of title 10, United States Code, is amended to read as follows:

##### "§ 1251. Regular commissioned officers; exceptions

"(a)(1) Unless retired or separated earlier, each regular commissioned officer of the Army, Air Force, or Marine Corps serving in a grade at or above brigadier general or rear admiral (lower half) in the Navy shall be retired on the first day of the month following the month in which the officer becomes 68 years of age.

"(2) Notwithstanding paragraph (1), the Secretary of Defense may defer the retirement of a general or flag officer, but such a deferment may not extend beyond the first day of the month following the month in which the officer becomes 72 years of age.

"(b)(1) Unless retired or separated earlier, each regular commissioned officer of the Army, Air Force, or Marine Corps (other than an officer who is a permanent professor, director of admissions, or registrar of the United States Military Academy or United States Air Force Academy or a commissioned warrant officer) serving in a grade below brigadier general or rear admiral (lower half) in the Navy shall be retired on the first day of the month following the month in which he becomes 62 years of age. An officer who is a permanent professor at the United States Military Academy or United States Air Force Academy, the director of admissions at the United States Military Academy, or the registrar of the United States Air Force Academy shall be retired on the first day of the month following the month in which he becomes 64 years of age.

"(2) The Secretary concerned may defer the retirement under paragraph (1) of a health professions officer if during the period of the deferment the officer will be performing duties consisting primarily of providing patient care or performing other clinical duties.

"(3) The Secretary concerned may defer the retirement under paragraph (1) of an officer who is appointed or designated as a chaplain if the Secretary determines that such deferral is in the best interest of the military department concerned.

"(4)(A) Except as provided in subparagraph (B), a deferment under this subsection may not extend beyond the first day of the month following the month in which the officer becomes 68 years of age.

"(B) The Secretary concerned may extend a deferment under this subsection beyond the day referred to in subparagraph (A) if the Secretary determines that extension of the deferment is necessary for the needs of the military department concerned. Such an extension shall be made on a case-by-case basis and shall be for such period as the Secretary considers appropriate.

"(5) For purposes of this subsection, a health professions officer is—

"(A) a medical officer;

"(B) a dental officer; or

"(C) an officer in the Army Nurse Corps, an officer in the Navy Nurse Corps, or an officer in the Air Force designated as a nurse."

#### SEC. 512. LATERAL REASSIGNMENT OF CERTAIN GENERALS AND ADMIRALS.

Subsection (a) of section 601 of title 10, United States Code, is amended to read as follows:

"(a)(1) The President may designate positions of importance and responsibility to carry the grade of general or admiral or lieutenant general or vice admiral. The President may assign to any such position an officer of the Army, Navy, Air Force, or Marine Corps who is serving on active duty in any grade above colonel or, in the case of an officer of the Navy, any grade above captain. An officer assigned to any such position has the grade specified by the President for such position, as provided in paragraph (2).

"(2) An officer may be appointed initially to the grade of general or admiral or lieutenant general or vice admiral if he is appointed to that grade by the President, by and with the advice and consent of the Senate. If the President or Secretary of

Defense reassigns such an officer to another position of importance and responsibility at the same grade, no further appointment to that grade is required unless the position to which the officer is reassigned is established by law.

"(3) Except as provided in subsection (b), the appointment of an officer to a grade under this section for service in a position of importance and responsibility ends on the date of the termination of the assignment of the officer to that position."

**SEC. 513. LENGTH OF SERVICE FOR THE CHAIRMAN AND VICE CHAIRMAN OF THE JOINT CHIEFS OF STAFF.**

(a) CHAIRMAN OF THE JOINT CHIEFS OF STAFF.—Subsection (a) of section 152 of title 10, United States Code, is amended—

(1) by amending paragraph (1) to read as follows:

"(1) There is a Chairman of the Joint Chiefs of Staff, appointed by the President, by and with the advice and consent of the Senate, from the officers of the regular components of the armed forces. The Chairman serves at the pleasure of the President for a term of two years, and the President may appoint the Chairman for additional two-year terms as he determines necessary."; and

(2) by striking paragraph (3).

(b) VICE CHAIRMAN OF THE JOINT CHIEFS OF STAFF.—Paragraph (3) of section 154(a) of such title is amended to read as follows:

"(3) The Vice Chairman serves at the pleasure of the President for a term of two years, and the President may appoint the Vice Chairman for additional two-year terms as he determines necessary."

**SEC. 514. PROMOTION POLICY OBJECTIVES FOR JOINT OFFICERS.**

Section 662(a)(3) of title 10, United States Code, is amended by striking "(other than officers covered in paragraphs (1) and (2))".

## Subtitle B—Reserve Component Management

**SEC. 521. REVISED CONCEPT OF INACTIVE DUTY AND REPEAL OF FUNERAL HONORS DUTY.**

(a) DEFINITION OF INACTIVE DUTY.—(1) Section 101(d)(7) of title 10, United States Code, is amended by striking "training".

(2) Section 101(22) of title 37, United States Code, is amended by striking "training".

(b) COMPENSATION FOR INACTIVE DUTY.—Section 206 of title 37, United States Code, is amended—

(1) by striking "**training**" in the section title;

(2) in subsection (a)(3)—

(A) in subparagraph (A)(ii), by striking "training"; and

(B) in subparagraph (C), by striking "training" each place it appears;

and

(3) in paragraph (1) of subsection (b)—

(A) by inserting "(to include telecommuting)" after "appropriate duties";

and

(B) by inserting "or duty" after "kind of training".

(b) REPEAL OF FUNERAL HONORS DUTY.—(1)(A) Section 12503 of title 10, United States Code, is repealed.

(B) The table of sections at the beginning of chapter 1213 of such title is amended by striking the item relating to section 12503.

(2)(A) Section 115 of title 32, United States Code, is repealed.

(B) The table of sections at the beginning of chapter 1 of such title 32 is amended by striking the item relating to section 115.

(c) CONFORMING AMENDMENTS.—

(1) Section 802 of title 10, United States Code, is amended—

(A) in paragraph (3) of subsection (a), by striking "inactive-duty training" and inserting "inactive duty"; and

(B) in subsection (d)—

(i) in paragraph (2)(B), by striking "inactive-duty training" and inserting "inactive duty"; and

(ii) in paragraph (5)(B), by striking "inactive-duty training" and inserting "inactive duty".

(2) Section 803(d) of such title is amended by striking "inactive-duty training" and inserting "inactive duty" each place it appears.

(3) Section 936 of such title is amended—



- (A) in subsection (a), by striking “inactive-duty training” and inserting “inactive duty”; and
- (B) in subsection (b), by striking “inactive-duty training” and inserting “inactive duty”.
- (4) Section 976(a)(1)(C) of such title is amended by striking “inactive-duty training” and inserting “inactive duty”.
- (5) Section 1061(b) of such title is amended by striking “inactive-duty training” each place it appears and inserting “inactive duty”.
- (6) Section 1074a(a) of such title is amended—
  - (A) in paragraph (1)—
    - (i) by striking “inactive-duty training” each place it appears and inserting “inactive duty”; and
    - (ii) by striking subparagraph (C).
  - (B) in paragraph (2)—
    - (i) by striking “inactive-duty training” each place it appears and inserting “inactive duty”; and
    - (ii) by striking subparagraph (C).
  - (C) in paragraph (3), by striking “inactive-duty training” each place it appears and inserting “inactive duty”; and
  - (D) by striking paragraph (4).
- (7) Section 1076(a)(2) of such title is amended—
  - (A) by striking “inactive-duty training” each place it appears and inserting “inactive duty”; and
  - (B) by striking subparagraph (E).
- (8) Section 1086(c)(2)(B) of such title is amended by striking “inactive-duty training” each place it appears and inserting “inactive duty”.
- (9) Section 1175(e)(2) of such title is amended by striking “training”.
- (10) Section 1204 of such title is amended—
  - (A) by striking “**inactive-duty training**” in the section heading and inserting “**inactive duty**”; and
  - (B) in paragraph (2)—
    - (i) by striking “inactive-duty training” each place it appears and inserting “inactive duty”;
    - (ii) by inserting “or” at the end of clause (ii);
    - (iii) by striking “or” at the end of clause (iii); and
    - (iv) by striking subparagraph (C).
- (11) Section 1206 of such title is amended—
  - (A) by striking “**inactive-duty training**” in the section heading and inserting “**inactive duty**”; and
  - (B) by amending paragraph (2) to read as follows:
 

“(2) the disability is a result of an injury, illness, or disease incurred or aggravated in line of duty while—

    - “(A) performing active duty or inactive duty;
    - “(B) traveling directly to or from the place at which such duty is performed; or
    - “(C) remaining overnight immediately before the commencement of inactive duty, or while remaining overnight between successive periods of inactive-duty training, at or in the vicinity of the site of the inactive duty, if the site is outside reasonable commuting distance of the member’s residence.”
- (12)(A) Section 12552 is repealed.
- (B) The table of sections at the beginning of chapter 1215 of such title is amended by striking the item relating to 12552.
- (13) Section 1471(b)(3)(A) of such title is amended by striking “training” each place it appears.
- (14) Section 1475 of such title is amended—
  - (A) by striking “**training**” in the heading; and
  - (B) in subsection (a)—
    - (i) in paragraph (2), by striking “training”; and
    - (ii) in paragraph (3), by striking “training” the second and fourth place it appears.
- (15) Section 1476 of such title is amended—
  - (A) by striking “**training**” in the heading; and
  - (B) in subsection (a), by striking “inactive-duty training” each place it appears and inserting “inactive duty”.
- (16) Section 1478(a) of such title is amended—
  - (A) in paragraph (3), by striking “training” each place it appears;
  - (B) in paragraph (7)—

- (i) by striking “training” the first place it appears; and
- (ii) by striking “or training”; and
- (C) in paragraph (8), by striking “training” each place it appears.
- (17) Section 1481(a)(2) of such title is amended—
  - (A) by striking “inactive-duty training” each place it appears and inserting “inactive duty”;
  - (B) by striking “; or” at the end of subparagraph (E) and inserting a period; and
  - (C) by striking subparagraph (F).
- (18) Section 2031(d)(2) of such title is amended by striking “training”.
- (19) Section 9446(a)(3) of such title is amended by striking “inactive-duty training” and inserting “inactive duty”.
- (20) Section 10204(b) of such title is amended by striking “inactive duty training” and inserting “inactive duty”.
- (21) Section 12317 of such title is amended by striking “training”.
- (22) Section 12319(c) of such title is amended—
  - (A) by striking “inactive-duty training” each place it appears and inserting “inactive duty”; and
  - (B) by striking “that training” and inserting “such duty”.
- (23) Section 12602 of such title is amended—
  - (A) in subsection (a)(3), by striking “inactive-duty training” each place it appears and inserting “inactive duty”; and
  - (B) in subsection (b)(3), by striking “inactive-duty training” each place it appears and inserting “inactive duty”.
- (24) Section 12603 of such title is amended—
  - (A) by striking “inactive-duty training” in the section heading and inserting “inactive duty”; and
  - (B) in subsection (a)—
    - (i) by striking “training” the first place it appears; and
    - (ii) by striking “the training” and inserting “such duty”.
- (25) Section 12604 of such title is amended—
  - (A) by striking “inactive-duty training” in the section heading and inserting “inactive duty”; and
  - (B) in subsection (a), by striking “inactive-duty training” and inserting “inactive duty”.
- (26) Section 12732(a) of such title is amended in paragraph (2)—
  - (A) by striking subparagraph (E); and
  - (B) by striking “clauses (A), (B), (C), (D), and (E)” and inserting “clauses (A), (B), (C), and (D)”.
- (27) Section 18505 of such title is amended—
  - (A) by striking “inactive-duty training” in the section heading and inserting “inactive duty”; and
  - (B) in subsection (a), by striking “inactive-duty training” each place it appears and inserting “inactive duty”.
- (28) Section 114 of title 32, United States Code, is amended by striking the second sentence.
- (29) Section 101(22) of title 37, United States Code, is amended by striking “inactive-duty training” and inserting “inactive duty”.
- (30) Section 204 of such title is amended—
  - (A) in subsection (g)(1)—
    - (i) in subparagraph (B), by striking “inactive-duty training” and inserting “inactive duty”;
    - (ii) in subparagraph (C), by striking “or training”; and
    - (iii) in subparagraph (D)—
      - (I) by striking “inactive-duty training” each place it appears and inserting “inactive duty”; and
      - (II) by striking “; or” at the end and inserting a period; and
    - (iv) by striking subparagraph (E); and
  - (B) in subsection (h)(1)—
    - (i) in subparagraph (B), by striking “inactive-duty training” and inserting “inactive duty”; and
    - (ii) in subparagraph (C), by striking “or training”; and
    - (iii) in subparagraph (D)—
      - (I) by striking “inactive-duty training” each place it appears and inserting “inactive duty”; and
      - (II) by striking “; or” at the end and inserting a period; and
    - (iv) by striking subparagraph (E).

(31) Section 205(e)(2)(A) of such title is amended by striking “inactive-duty training” and inserting “inactive duty”.

(32) Section 206 of such title is amended—

(A) by striking “inactive-duty training” in the section heading and inserting “inactive duty”; and

(B) in subsection (a)(3)—

(i) in subparagraph (A)(ii), by striking “inactive-duty training” and inserting “inactive duty”; and

(ii) in subparagraph (B), by striking “or training”; and

(iii) in subparagraph (C), by striking “inactive-duty training” each place it appears and inserting “inactive duty”.

(33) Section 308(d)(a) of such title is amended by striking “for training”.

(34) Section 320(e) of such title is amended by striking “TRAINING” in the heading.

(35) Section 415 of such title is amended—

(A) in subsection (a)(3), by striking “inactive-duty training” and inserting “inactive duty”; and

(B) in subsection (c)(1), by striking “training status”.

(36) Section 433(d) of such title is amended by striking “inactive-duty training” and inserting “inactive duty”.

(37) Section 552 of such title is amended—

(A) in subsection (a), by striking “inactive-duty training” each place it appears and inserting “inactive duty”; and

(B) in subsection (d), by striking “inactive-duty training” and inserting “inactive duty”.

(38) Section 106(d)(1) of title 38, United States Code, is amended by striking “inactive duty for training” each place it appears and inserting “inactive duty”.

(39) Section 1112(c)(3)(A)(ii) of such title is amended by striking “training” the second place it appears.

(40) Section 1302(b)(2) of such title is amended by striking “training” the second place it appears.

(41) Section 1312(a)(2)(A) of such title is amended by striking “training” the second place it appears.

(42) Section 1965 of such title is amended—

(A) in paragraph (3), by striking “training”; and

(B) in paragraph (4), by striking “training” the second and third place it appears; and

(C) in paragraph (5), by striking “inactive duty for training” each place it appears and inserting “inactive duty”.

(43) Section 1967 of such title is amended—

(A) in subsection (a)(1)(B), by striking “inactive duty training” and inserting “inactive duty”; and

(B) in subsection (b), by striking “inactive duty training” each place it appears and inserting “inactive duty”.

(44) Section 1968 of such title is amended—

(A) in subsection (a)—

(i) by striking “inactive duty training” and inserting “inactive duty”; and

(ii) in paragraph (3)—

(I) by striking “inactive duty training” and inserting “inactive duty”; and

(II) by striking “such scheduled training period” and inserting “such scheduled duty”; and

(III) by striking “such period” and inserting “such duty”; and

(IV) by striking “such training” and inserting “such duty”; and

(B) in subsection (b)(2), by striking “inactive duty training” and inserting “inactive duty”.

(45) Section 1969(a)(3) of such title is amended by striking “inactive duty training” and inserting “inactive duty”.

(46) Section 1977(e) of such title is amended by striking “inactive duty training” and inserting “inactive duty”.

(47) Section 2402(2) of such title is amended by striking “inactive duty training” and inserting “inactive duty”.

(48) Section 4303 of such title is amended—

(A) in paragraph (13)—

(i) by striking “inactive duty training” and inserting “inactive duty”; and



- (ii) by striking “, and a period for which a person is absent from employment for the purpose of performing funeral honors duty as authorized by section 12503 of title 10 or section 115 of title 32”; and
- (B) in paragraph (16), by striking “inactive duty training” and inserting “inactive duty”.
- (49) Section 704 of title 14, United States Code, is amended by striking “inactive-duty training” and inserting “inactive duty”.
- (50) Section 705(a) of such title is amended by striking “inactive-duty training” and inserting “inactive duty”.
- (51) Section 6323(a)(1) of title 5, United States Code, is amended—
  - (A) by striking “inactive-duty training” and inserting “inactive duty”; and
  - (B) by striking “funeral honors duty (as described in section 12503 of title 10 and section 115 of title 32),”.

**SEC. 522. AUTHORIZED STRENGTHS OF NAVY AND MARINE CORPS RESERVE FLAG AND GENERAL OFFICERS.**

Section 12004 of title 10, United States Code, is amended—

- (1) by amending subsection (c) to read as follows:
 

“(c) The authorized strength of the Navy and Marine Corps under subsection (a) is exclusive of officers counted under section 526 of this title.”;
- (2) by striking subsection (d); and
- (3) by redesignating subsection (e) as subsection (d).

**SEC. 523. MANDATORY RETENTION ON ACTIVE DUTY TO QUALIFY FOR RETIREMENT PAY.**

Section 12686 of title 10, United States Code, is amended—

- (1) by redesignating subsection (b) as subsection (c); and
- (2) by inserting after subsection (a) the following new subsection (b):
 

“(b) NON-REGULAR RETIREMENT EXCLUSION.—This section does not apply to a member who, if continued on active duty, will only qualify for retirement under chapter 1223 of this title for non-regular service.”.

**SEC. 524. AMENDMENT TO THE PURPOSE OF THE RESERVE COMPONENTS.**

Subsection 10102 of title 10, United States Code, is amended by striking “, during and after the period needed to procure and train additional units and qualified persons to achieve the planned mobilization,”.

**SEC. 525. ACCOUNTING AND MANAGEMENT OF NATIONAL GUARD AND RESERVE PERSONNEL PERFORMING ACTIVE OR FULL-TIME DUTY.**

(a) STRENGTH AUTHORIZATIONS.—Section 115 of title 10, United States Code, is amended—

- (1) in subsection (a)(1)—
  - (A) in subparagraph (A), by striking “active-duty personnel who” and inserting “active-duty personnel (other than members of a Reserve component described in subsection (b)(2)) who”; and
  - (B) in subparagraph (B), by inserting before the period at the end the following: “in connection with organizing, administering, recruiting, instructing, or training the reserve components of the armed forces to perform duties as prescribed in section 12310 of this title”;
- (2) by striking subsection (h);
- (3) by redesignating subsections (b), (c), (d), (e), (f), and (g) as subsections (c), (d), (e), (f), (g), and (h), respectively;
- (4) by inserting after subsection (a) the following new subsection (b):
 

“(b) CERTAIN RESERVES ON ACTIVE DUTY TO BE AUTHORIZED BY LAW.—Except as authorized under subsection (a)(1), Congress shall authorize the maximum average strength for members of a Reserve component on active duty (other than for training) or full time National Guard duty (other than for training) who are to be paid from funds appropriated for—

  - “(1) reserve personnel; or
  - “(2) active duty personnel, to include funds reimbursed to reserve appropriations for National Guard or reserve personnel to perform active duty or full-time National Guard duty provided—
  - “(A) the period of duty is for three years or less; and
  - “(B) the cumulative periods of active duty (other than for training) and full-time National Guard duty (other than for training) performed by the member in the previous 1460 days is less than 1095 days.”;
- (5) in subsection (e) (as redesignated by paragraph (3))—
  - (A) in paragraph (1), by striking “subsection (a) or (c)” and inserting “subsection (a) or (d); and
  - (B) in paragraph (2)—

(i) by striking “subsection (a) and (c)”; and inserting “subsection (a) and (d)”; and

(ii) by striking “subsection (a) (as such levels may be adjusted pursuant to subsection (e)) and subsection (c)” and inserting “subsection (a) (as such levels may be adjusted pursuant to subsection (f)) and subsection (d)”; and

(iii) by striking “subsection (a) (as adjusted pursuant to subsection (e)) and subsection (c)” and inserting “subsection (a) (as adjusted pursuant to subsection (f)) and subsection (d)”; and

(6) in subsection (f) (as redesignated by paragraph (3))—

(A) by striking “END” in the heading;

(B) by striking “and” at the end of paragraph (2);

(C) in paragraph (3), by striking the period and inserting “; and”; and

(D) by adding at the end the following new paragraph:

“(4) increase the strength authorized pursuant to subsection (b), notwithstanding the restrictions of subparagraph (A) and (B) of paragraph (2), for a fiscal year for any of the armed forces by a number equal to the number of members—

“(A) of a reserve component of that armed force on active duty in support of a contingency operation;

“(B) of the National Guard called into Federal service under section 12406 of this title;

“(C) of the militia called into Federal service under chapter 15 of this title; and

“(D) of a reserve component called to or retained on active duty under section 12301(g), 12301(h) or 12322 of this title.”; and

(7) in paragraph (2) of subsection (g) (as redesignated by paragraph (3)), by striking “subsection (e)(1)” and inserting “subsection (f)(1)”.

(b) MILITARY TO MILITARY CONTACT STRENGTH ACCOUNTING.—Section 168 of such title is amended—

(1) by striking subsection (f); and

(2) by redesignating subsection (g) as subsection (f).

(c) E-8 AND E-9 STRENGTH ACCOUNTING.—Subsection (a) of section 517 of such title is amended by striking “(other than for training) in connection with organizing, administering, recruiting, instructing, or training the reserve component of an armed force” and inserting “as authorized under section 115(a)(1)(B) or (b) of this title”.

(d) FIELD GRADE OFFICER STRENGTH ACCOUNTING.—Subparagraph (B) of section 523(b)(1) of such title is amended to read as follows:

“(B) on active duty or full-time National Guard duty as authorized under section 115(a)(1)(B) or (b) of this title;”.

(e) ACTIVE GUARD AND RESERVE FIELD GRADE OFFICER STRENGTH ACCOUNTING.—Paragraph (2) of section 12011(e) of such title is amended by inserting before the period at the end the following: “in connection with organizing, administering, recruiting, instructing, or training members of the National Guard”.

(f) WARRANT OFFICER ACTIVE-DUTY LIST EXCLUSION.—Paragraph (1) of section 582 of such title is amended—

(1) by inserting “or” after the semicolon at the end of subparagraph (A);

(2) by amending subparagraph (B) to read as follows:

“(B) on active duty or full-time National Guard duty as authorized under section 115(a)(1)(B) or (b) of this title;” and

(3) by striking subparagraphs (C), (D), and (E).

(g) OFFICER ACTIVE-DUTY LIST, APPLICABILITY OF CHAPTER.—Paragraph (1) of section 641 of such title 10, United States Code, is amended—

(1) by inserting “or” after the semicolon at the end of subparagraph (A);

(2) by amending subparagraph (B) to read as follows:

“(B) on active duty or full-time National Guard duty as authorized under section 115(a)(1)(B) or (b) of this title.”; and

(3) by striking subparagraphs (C), (D), (E), (F), (G), and (H).

(h) STRENGTH ACCOUNTING FOR MEMBERS PERFORMING DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES.—Section 112 of title 32, United States Code, is amended—

(1) by amending subsection (e) to read as follows:

“(e) STRENGTH ACCOUNTING.—Members of the National Guard on active duty or full-time National Guard duty for the purposes of administering this section shall be accounted for under section 115(b) of title 10.”; and

(2) in subsection (f)(1), by striking “for a period of more than 180 days” each place it appears.

**SEC. 526. WAIVE REQUIREMENT THAT RESERVE CHIEFS AND NATIONAL GUARD DIRECTORS MUST HAVE SIGNIFICANT JOINT DUTY EXPERIENCE.**

(a) CHIEF OF ARMY RESERVE.—Section 3038(b)(4) of title 10, United States Code, is amended by striking “Until December 31, 2004, the” and inserting “The”.

(b) CHIEF OF NAVAL RESERVE.—Section 5143(b)(4) of such title is amended by striking “Until December 31, 2004, the” and inserting “The”.

(c) COMMANDER MARINE FORCES RESERVE.—Section 5144(b)(4) of such title is amended by striking “Until December 31, 2004, the” and inserting “The”.

(d) CHIEF OF AIR FORCE RESERVE.—Section 8038(b)(4) of such title is amended by striking “Until December 31, 2004, the” and inserting “The”.

(e) DIRECTOR, ARMY NATIONAL GUARD AND DIRECTOR, AIR NATIONAL GUARD.—Section 10506(a)(3)(D) of such title is amended by striking “Until December 31, 2004, the” and inserting “The”.

**SEC. 527. EXTENDING AGE LIMITS FOR RESERVE AND NATIONAL GUARD GENERAL AND FLAG OFFICERS.**

(a) MAXIMUM AGE FOR RESERVE COMPONENT GENERAL AND FLAG OFFICERS.—(1) Section 14511 of title 10, United States Code, is amended to read as follows:

**“§ 14511. Separation at age 68: reserve officers in grades above colonel or Navy captain**

“(a) MAXIMUM AGE.—Unless retired, transferred to the Retired Reserve, or discharged at an earlier date, each reserve officer of the Army, Air Force, or Marine Corps in a grade above colonel and each reserve officer of the Navy in a grade above captain shall be separated in accordance with section 14515 of this title on the last day of the month in the month in which the officer becomes 68 years of age.

“(b) RETENTION BEYOND AGE 68.—Notwithstanding subsection (a), the Secretary of Defense may defer the retirement of a reserve officer serving in a grade above colonel in the case of the Army, Air Force, or Marine Corps, or a reserve officer serving in a grade above captain in the case of the Navy, but such a deferment may not extend beyond the last day of the month following the month in which the officer becomes 72 years of age.”

(2) Sections 14510 and 14512 of such title are repealed.

(b) REPEAL YEARS OF SERVICE REQUIREMENT FOR RESERVE COMPONENT GENERAL AND FLAG OFFICER.—Section 14508 of such title is repealed.

(c) ELIMINATION OF TERM LIMITATION FOR RESERVE COMPONENT GENERAL AND FLAG OFFICER POSITIONS.—(1) Section 10502 of such title is amended—

(A) by striking subsection (b); and

(B) by redesignating subsections (c) and (d) as subsections (b) and (c), respectively.

(2) Subsection (a) of section 10505 of such title is amended—

(A) by striking paragraph (3); and

(B) by redesignating paragraph (4) as paragraph (3).

(3) Subsection (c) of section 3038 of such title is amended to read as follows:

“(c) GRADE.—The Chief of Army Reserve, while so serving, holds the grade of lieutenant general.”

(4) Subsection (c) of section 5143 of such title is amended to read as follows:

“(c) GRADE.—The Chief of Naval Reserve, while so serving, holds the grade of vice admiral.”

(5) Subsection (c) of section 5144 of such title is amended to read as follows:

“(c) GRADE.—The Commander, Marine Forces Reserve, while so serving, holds the grade of lieutenant general.”

(6) Subsection (c) of section 8038 of such title is amended to read as follows:

“(c) GRADE.—(1) The Chief of Air Force Reserve, while so serving, holds the grade of lieutenant general.”

(7) Paragraph (3) of section 10506(a) of such title is amended by striking subparagraph (E).

(d) CONFORMING AMENDMENTS.—(1) Section 10214 of such title is amended by striking “sections 12004(b)(1), 12215, 12642(c), 14507(b), 14508(e), and 14512” and inserting “sections 12004(b)(1), 12215, 12642(c), and 14507(b)”.

(2) Section 14514 of such title is amended by striking “section 14507, 14508, 14704, or 14705” and inserting “section 14507, 14704, or 14705”.

(3) Section 14515 of such title is amended by striking “section 14509, 14510, 14511, or 14512” and inserting “section 14509 or 14511”.

(4) Section 14702 of such title is amended by striking “section 14506, 14507, or 14508” and inserting “section 14506 or 14507”.

(5) Section 14705 of such title is repealed.

(6) The table of sections at the beginning of chapter 1407 of such title is amended—



(A) by amending the item relating to section 14511 to read as follows:

“14511. Separation at age 68: reserve officers in grades above colonel or Navy captain”;  
and

(B) by striking the items relating to sections 14508, 14510, and 14512.

(7) Subsection (a) of section 324 of title 32, United States Code, is amended by striking “An officer” and inserting “Except as provided in section 14511 of title 10, an officer”.

**SEC. 528. EXPANDED USE OF RESERVE COMPONENT MEMBERS TO PERFORM DEVELOPMENTAL TESTING AND NEW EQUIPMENT TRAINING.**

(a) REIMBURSEMENT.—The Secretary of the Army may transfer from funds available to support an acquisition program the amount necessary to reimburse the appropriate reserve component military personnel account for costs charged that account for military pay and allowances in connection with the demonstration program described in subsection (b).

(b) DEMONSTRATION PROGRAM.—(1) A demonstration program under this section shall evaluate—

(A) cost savings and other benefits that may result from the use of members of the reserve components to perform test, evaluation, and related activities for an acquisition program, rather than the use of contractor personnel for such purposes; and

(B) the use of appropriations available for multi-year research, development, testing and evaluation and procurement to reimburse reserve components for the pay, allowances, and expenses incurred when such members perform duties to conduct acquisition, logistics, and new equipment training activities in connection with the demonstration program.

(2) Nothing in this section authorizes a deviation from established Reserve and National Guard personnel and training procedures.

(c) LIMITATION ON AMOUNT.—Not more than \$10,000,000 may be transferred under this section during each year of the demonstration program.

(d) MERGER OF TRANSFERRED FUNDS.—Funds transferred to an account under this section shall be merged with other sums in the account and shall be available for the same period and purposes as the sums with which merged.

(e) RELATIONSHIP TO OTHER TRANSFER AUTHORITY.—The transfer authority under this section is in addition to any other transfer authority.

(f) TERMINATION.—The demonstration program under this section shall terminate on September 30, 2009.

## Subtitle C—ROTC and Military Service Academies

**SEC. 531. INSTITUTIONS OF HIGHER EDUCATION THAT PREVENT ROTC ACCESS OR MILITARY RECRUITING ON CAMPUS; EQUAL TREATMENT WITH OTHER EMPLOYERS.**

Section 983(b)(1) of title 10, United States Code, is amended by striking “; or” at the end and inserting “, that is at least equal in quality and scope to that provided to any other employer; or”.

**SEC. 532. BOARD OF VISITORS; UNITED STATES AIR FORCE ACADEMY; UNITED STATES MILITARY ACADEMY; UNITED STATES NAVAL ACADEMY.**

(a) UNITED STATES AIR FORCE ACADEMY.—Section 9355 of title 10, United States Code, is amended to read as follows:

**“§ 9355. Board of Visitors**

“(a) A Board of Visitors to the Academy is constituted annually of—

“(1) two members of the Senate designated by the Vice President or the President pro tempore of the Senate;

“(2) one person, who is not a member of the Senate, as designated by the Vice President or the President pro tempore of the Senate;

“(3) three members of the House of Representatives designated by the Speaker of the House of Representatives;

“(4) one person, who is not a member of the House of Representatives, designated by the Speaker of the House of Representatives; and

“(5) eight persons designated by the President, or his designee.

“(b) All Board members will pledge full participation in executing their responsibilities to the Board. The persons designated by the President serve for three years each except that any member whose term of office has expired shall continue to serve until his successor is appointed. The President shall designate replacement members each year to succeed the members appointed by the President whose terms

expire that year. At least two persons designated by the President shall be graduates of the Air Force Academy.

"(c) If a member of the Board dies or resigns, a successor shall be designated for the unexpired portion of the term by the official who designated the member. If a member fails to attend or fully participate in two successive Board meetings, Board membership will be automatically terminated, unless granted prior excusal from those meetings, for good cause, by the Board Chairman.

"(d) When possible, the Board should meet at least four times a year, with at least two of those meetings at the Academy. The Board or its members may make other visits to the Academy in connection with the duties of the Board.

"(e) Board meetings should last at least one full day. The Board shall inquire into the morale, discipline, and social climate, the curriculum, instruction, physical equipment, fiscal affairs, academic methods, and other matters relating to the Academy which the Board decides to consider and receive candid and complete disclosure, consistent with applicable laws concerning disclosure of information, by the Secretary of the Air Force and Academy Superintendent of all institutional problems, and to recommend appropriate action. Board members shall have unfettered access to Academy grounds and cadets.

"(f) Within 30 days after any meeting, the Board shall submit a written report to the Secretary of Defense, through the Secretary of the Air Force, with its views and recommendations pertaining to the Academy.

"(g) Upon approval by the Secretary, the Board may call in advisers for consultation.

"(h) While performing duties, each member of the Board and each adviser shall be reimbursed under Government travel regulations for travel expenses."

(b) UNITED STATES MILITARY ACADEMY.—Section 4355 of such title is amended to read as follows:

**"§ 4355. Board of Visitors**

"(a) A Board of Visitors to the Academy is constituted annually of—

"(1) two members of the Senate designated by the Vice President or the President pro tempore of the Senate;

"(2) one person, who is not a member of the Senate, as designated by the Vice President or the President pro tempore of the Senate;

"(3) three members of the House of Representatives designated by the Speaker of the House of Representatives;

"(4) one person, who is not a member of the House of Representatives, designated by the Speaker of the House of Representatives; and

"(5) eight persons designated by the President, or his designee.

"(b) All Board members will pledge full participation in executing their responsibilities to the Board. The persons designated by the President serve for three years each except that any member whose term of office has expired shall continue to serve until his successor is appointed. The President shall designate replacement members each year to succeed the members appointed by the President whose terms expire that year. At least two persons designated by the President shall be graduates of the United States Military Academy.

"(c) If a member of the Board dies or resigns, a successor shall be designated for the unexpired portion of the term by the official who designated the member. If a member fails to attend or fully participate in two successive Board meetings, Board membership will be automatically terminated, unless granted prior excusal from those meetings, for good cause, by the Board Chairman.

"(d) When possible, the Board should meet at least four times a year, with at least two of those meetings at the Academy. The Board or its members may make other visits to the Academy in connection with the duties of the Board.

"(e) Board meetings should last at least one full day. The Board shall inquire into the morale, discipline, and social climate, the curriculum, instruction, physical equipment, fiscal affairs, academic methods, and other matters relating to the Academy which the Board decides to consider and receive candid and complete disclosure, consistent with applicable laws concerning disclosure of information, by the Secretary of the Army and Academy Superintendent of all institutional problems, and to recommend appropriate action. Board members shall have unfettered access to Academy grounds and cadets.

"(f) Within 30 days after any meeting, the Board shall submit a written report to the Secretary of Defense, through the Secretary of the Army, with its views and recommendations pertaining to the Academy.

"(g) Upon approval by the Secretary, the Board may call in advisers for consultation.

"(h) While performing duties, each member of the Board and each adviser shall be reimbursed under Government travel regulations for travel expenses."

(c) UNITED STATES NAVAL ACADEMY.—Section 6968 of such title is amended to read as follows:

**"§ 6968. Board of Visitors**

"(a) A Board of Visitors to the Naval Academy is constituted annually of—

"(1) two members of the Senate designated by the Vice President or the President pro tempore of the Senate;

"(2) one person, who is not a member of the Senate, as designated by the Vice President or the President pro tempore of the Senate;

"(3) three members of the House of Representatives designated by the Speaker of the House of Representatives;

"(4) one person, who is not a member of the House of Representatives, designated by the Speaker of the House of Representatives; and

"(5) eight persons designated by the President, or his designee.

"(b) All Board members will pledge full participation in executing their responsibilities to the Board. The persons designated by the President serve for three years each except that any member whose term of office has expired shall continue to serve until his successor is appointed. The President shall designate replacement members each year to succeed the members appointed by the President whose terms expire that year. At least two persons designated by the President shall be graduates of the United States Naval Academy.

"(c) If a member of the Board dies or resigns, a successor shall be designated for the unexpired portion of the term by the official who designated the member. If a member fails to attend or fully participate in two successive Board meetings, Board membership will be automatically terminated, unless granted prior excusal from those meetings, for good cause, by the Board Chairman.

"(d) When possible, the Board should meet at least four times a year, with at least two of those meetings at the Academy. The Board or its members may make other visits to the Academy in connection with the duties of the Board.

"(e) Board meetings should last at least one full day. The Board shall inquire into the morale, discipline, and social climate, the curriculum, instruction, physical equipment, fiscal affairs, academic methods, and other matters relating to the Academy which the Board decides to consider and receive candid and complete disclosure, consistent with applicable laws concerning disclosure of information, by the Secretary of the Navy and Academy Superintendent of all institutional problems, and to recommend appropriate action. Board members shall have unfettered access to Academy grounds and cadets.

"(f) Within 30 days after any meeting, the Board shall submit a written report to the Secretary of Defense, through the Secretary of the Navy, with its views and recommendations pertaining to the Academy.

"(g) Upon approval by the Secretary, the Board may call in advisers for consultation.

"(h) While performing duties, each member of the Board and each adviser shall be reimbursed under Government travel regulations for travel expenses."

**SEC. 533. DEAN OF THE FACULTY; DEAN OF ACADEMIC BOARD.**

(a) UNITED STATES AIR FORCE ACADEMY.—Section 9335 of title 10, United States Code, is amended to read as follows:

**"§ 9335. Dean of the Faculty**

"(a) There shall be a Dean of the Faculty at the Academy responsible to the Superintendent for developing and sustaining the curriculum and overseeing the faculty. Notwithstanding any other provision in law, the qualifications, selection procedures, training, retention, and determinations of appropriate pay grade of the Dean of Faculty shall be prescribed by the Secretary of the Air Force. Candidates for Dean of Faculty shall be serving officers or retired or former officers with terminal degrees. The Dean may be either a military officer or a civilian.

"(b) While serving as Dean of the Faculty, an officer incumbent who holds a grade lower than brigadier general shall hold the grade of brigadier general, if appointed to that grade by the President, by and with the advice and consent of the Senate. The retirement age of an officer so appointed is that of a permanent professor of the Academy. An officer so appointed is counted for purposes of the limitation in section 526(a) of this title on general officers of the Air Force on active duty. A civilian incumbent will be designated as a member of the Senior Executive Service."

(b) UNITED STATES MILITARY ACADEMY.—Section 4335 of such title is amended to read as follows:—



### “§ 4335. Dean of Academic Board

“(a) There shall be a Dean of the Academic Board at the Academy responsible to the Superintendent for developing and sustaining the curriculum and overseeing the faculty. Notwithstanding any other provision in law, the qualifications, selection procedures, training, retention, and determinations of appropriate pay grade of the Dean of the Academic Board shall be prescribed by the Secretary of the Army. Candidates for Dean of Faculty shall be serving officers or retired or former officers with terminal degrees. The Dean may be either a military officer or a civilian.

“(b) While serving as Dean of the Academic Board, an officer incumbent who holds a grade lower than brigadier general shall hold the grade of brigadier general, if appointed to that grade by the President, by and with the advice and consent of the Senate. The retirement age of an officer so appointed is that of a permanent professor of the Academy. An officer so appointed is counted for purposes of the limitation in section 526(a) of this title on general officers of the Army on active duty. A civilian incumbent will be designated as a member of the Senior Executive Service.”.

### SEC. 534. REPEAL OF REQUIREMENT THAT MILITARY ACADEMY SUPERINTENDENTS RETIRE AFTER ASSIGNMENT.

(a) REPEAL.—Sections 3921, 4333a, 6371, 6951a, 8921 and 9333a of title 10, United States Code, are repealed.

(b) CLERICAL AMENDMENTS.—

(1) The table of sections at the beginning of chapter 367 of such title is amended by striking the item relating to section 3921.

(2) The table of sections at the beginning of chapter 403 of such title is amended by striking the item relating to section 4333a.

(3) The table of sections at the beginning of chapter 573 of such title is amended by striking the item relating to section 6371.

(4) The table of sections at the beginning of chapter 603 of such title is amended by striking the item relating to section 6951a.

(5) The table of sections at the beginning of chapter 867 of such title is amended by striking the item relating to section 8921.

(6) The table of sections at the beginning of chapter 903 of such title is amended by striking the item relating to section 9333a.

## Subtitle D—Other Military Education and Training Matters

### SEC. 541. EDUCATION LOAN REPAYMENTS FOR HEALTH PROFESSIONS OFFICERS OF THE RESERVE COMPONENTS.

Section 16302(a)(5) of title 10, United States Code, is amended by inserting “a basic professional qualifying degree (as determined under regulations issued by the Secretary of Defense) or graduate education in” after “regarding”.

### SEC. 542. CONFERRAL OF DEGREES TO GRADUATES OF THE COMMUNITY COLLEGE OF THE AIR FORCE.

(a) AUTHORITY TO CONFER DEGREES.—Section 9315(c) of title 10, United States Code, is amended—

(1) in paragraph (1), by striking “Air Education and Training Command of the Air Force” and inserting “Air University”; and

(2) in paragraph (2), by striking “Air Education and Training Command of the Air Force” and inserting “Air University”.

(b) Section 9317 of such title is amended—

(1) in the section heading, by striking “graduate-level degrees” and inserting “graduate and associate-level degrees”;

(2) by striking “and” at the end of paragraph (2);

(3) by striking the period at the end of paragraph (3) and inserting “; and”; and

(4) by adding at the end the following new paragraph:

“(4) an associate level degree upon graduates of the Community College of the Air Force.”.

(c) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 901 of such title is amended by striking the item relating to section 9317 and inserting the following:

“9317. Air University: graduate and associate-level degrees”.

**SEC. 543. THREE YEAR EDUCATIONAL LEAVE OF ABSENCE.**

Section 708(a) of title 10, United States Code, is amended by striking "two years" and inserting "three years".

**SEC. 544. LENGTH OF PHASE II JOINT PROFESSIONAL MILITARY EDUCATION.**

Section 663 of title 10, United States Code, is amended by striking subsection (e).

**SEC. 545. CHANGING THE TITLES OF THE HEADS OF THE NAVAL POSTGRADUATE SCHOOL.**

(a) **PRESIDENT OF THE NAVAL POSTGRADUATE SCHOOL.**—(1) Section 7042 of title 10, United States Code, is amended—

(A) by striking "**Superintendent**" in the section heading and inserting "**President**"; and

(B) by striking "Superintendent" each place it appears and inserting "President";

(2) Section 7044 of such title is amended by striking "Superintendent" and inserting "President";

(3) Subsection 7048(a) of such title is amended by striking "Superintendent" and inserting "President"; and

(4) Subsection 7049(e) of such title is amended by striking "Superintendent" and inserting "President".

(b) **PROVOST AND ACADEMIC DEAN.**—(1) Section 7043 of title 10, United States Code, is amended—

(A) by amending the section heading to read as follows:

**"§ 7043. Provost and Academic Dean";**

(B) by amending subsection (a) to read as follows:

"(a) There is at the Naval Postgraduate School the single civilian position of Provost and Academic Dean. The Provost and Academic Dean shall be appointed, to serve for periods of not more than five years, by the Secretary of the Navy after consultation with the Naval Postgraduate School Board of Advisors and consideration of the recommendation of the leadership and faculty of the Naval Postgraduate School."; and

(C) in subsection (b), by striking "Academic Dean" and inserting "Provost and Academic Dean".

(2) Section 5102(c)(10) of title 5, United States Code, is amended by striking "Academic Dean" and inserting "Provost and Academic Dean".

(3) Section 7081(a) of title 10, United States Code, is amended by striking "Academic Dean" and inserting "Provost and Academic Dean".

(c) **CLERICAL AMENDMENTS.**—The table of sections at the beginning of chapter 605 of such title is amended by striking the items related to sections 7042 and 7043 and inserting the following new items:

"7042. President: assistants.

"7043. Provost and Academic Dean.".

**SEC. 546. NEW MISSION STATEMENT AND EXPANDED ELIGIBILITY FOR ENLISTED PERSONNEL AT THE NAVAL POSTGRADUATE SCHOOL.**

(a) **COMBAT RELATED FOCUS OF THE NAVAL POSTGRADUATE SCHOOL.**—(1) Section 7041 of title 10, United States Code, is amended to read as follows:

**"§ 7041. Function**

"There is a United States Naval Postgraduate School that provides advanced instruction, and technical and professional education to military members to enhance combat effectiveness and our national security.".

(2) Section 7042(b)(1) of such title is amended by striking "advanced instruction and technical education" and inserting "advanced instruction, and technical and professional education".

(b) **EXPANDED ELIGIBILITY FOR ENLISTED PERSONNEL.**—Section 7045 of such title is amended—

(1) by striking "**Officers of the armed forces; enlisted members**" in the section heading and inserting "**Members of the other armed forces**";

(2) by striking "officers" each place it appears and inserting "members"; and

(3) in subsection (a)—

(A) by striking "(1)"; and

(B) by striking paragraph (2).

(c) **REIMBURSEMENT OF COSTS.**—Subsection (b) of such section is amended—

(1) by striking paragraph (2); and

(2) by redesignating paragraph (3) as paragraph (2).

(d) **RECIPROCAL AGREEMENTS.**—Section 7047 of such title is amended by striking “an officer” and inserting “a member”.

(e) **CLERICAL AMENDMENT.**—The table of sections at the beginning of chapter 605 of such title is amended by striking the item relating to section 7045 and inserting the following:

“7045. Members of other armed forces: admission.”

## Subtitle E—Administrative Matters

### SEC. 551. ANNUAL REPORT TO CONGRESS CONCERNING JOINT OFFICER MANAGEMENT.

Section 667 of title 10, United States Code, is amended to read as follows:

#### “§ 667. Annual report to Congress

“The Secretary of Defense shall include in the annual report of the Secretary to Congress under section 113(c) of this title, for the period covered by the report, the following information (which shall be shown for the Department of Defense as a whole and separately for the Army, Navy, Air Force, and Marine Corps):

“(1) The number of joint specialty officers, reported by grade and by branch or specialty.

“(2) An assessment of the extent to which the Secretary of each military department is assigning personnel to joint duty assignments in accordance with this chapter and the policies, procedures, and practices established by the Secretary of Defense under section 661(a) of this title.

“(3) The number of waivers granted under section 619a(b)(1) of this title for officers in the grade of colonel or, in the case of the Navy, captain, for each of the years preceding the year in which the report is submitted.

“(4) The officers whose service in joint duty assignments during the year covered by the report terminated before the officers completed the full tour of duty in those assignments, expressed as a percent of the total number of officers in joint duty assignments during that year.

“(5) The percentage of fill of student quotas for each course of the National Defense University for the year covered by the report.

“(6) A list of the joint task force headquarters in which service was approved for crediting as a joint duty assignment for the year covered by the report.

“(7) A comparison of the promotion rates for officers serving in or who have served in joint duty assignments and were considered for promotion within the promotion zone, with the promotion rates for other officers in the same grade and the same competitive category who are serving in the armed force concerned and were considered for promotion within the promotion zone.

“(8) If any of the comparisons in paragraph (7) indicate that the promotion rates for officers fail to meet the objective set forth in section 662(a) of this title, information on the failure and on what action the Secretary has taken or plans to take to prevent further failures.

“(9) Any other information relating to joint officer management that the Secretary of Defense considers significant.”.

### SEC. 552. REVISED DEFINITIONS APPLICABLE TO JOINT DUTY.

Section 668 of title 10, United States Code, is amended—

(1) in subsection (b)(2), by striking “The Secretary shall publish a list showing” and inserting “The Secretary shall publish a Joint Duty Assignment List that will show”; and

(2) in subsection (c), by striking “a tour of duty in which an officer serves in more than one joint duty assignment within the same organization without a break between such assignments shall be considered to be a single tour of duty in a joint duty assignment” and inserting “a single tour of duty for the purpose of awarding joint duty credit can be defined as one in which the officer serves consecutive tours in joint duty assignment positions that award joint duty credit, or service as otherwise prescribed by the Secretary of Defense”.



## Subtitle F—Military Justice Matters

**SEC. 561. WAIVE TIME LOST WHEN A MEMBER IS ACQUITTED, RELEASED WITHOUT TRIAL, OR HAS HIS CONVICTION SET-ASIDE OR REVERSED ON APPEAL.**

Section 972 of title 10, United States Code, is amended—

(1) in subsection (a)(3), by inserting “, unless the confinement is excused as unavoidable” after “the trial”; and

(2) in subsection (b)(3), by inserting “, unless the confinement is excused as unavoidable” after “the trial”.

**SEC. 562. CHANGE IN UNIFORM CODE OF MILITARY JUSTICE RELATING TO BLOOD ALCOHOL CONCENTRATION.**

Subsection (b) of section 911 of title 10, United States Code, is amended by striking “0.10” in the two places it appears and inserting “0.08”.

## Subtitle G—Benefits

**SEC. 571. IMMEDIATE LUMP SUM REIMBURSEMENT FOR UNUSUAL NONRECURRING EXPENSES OUTSIDE THE CONTINENTAL UNITED STATES.**

Section 405 of title 37, United States Code, is amended by adding at the end the following new subsection:

“(d) **NONRECURRING EXPENSES.**—In addition to the per diem paid under subsection (a), the Secretaries concerned may reimburse members for actual non-recurring expenses incurred incident to being on duty outside of the United States or in Hawaii or Alaska. The nonrecurring expenses which may be reimbursed are expenses directly related to the conditions or location of the assignment either of a nature or a magnitude not normally incurred by members assigned inside the continental United States and not included in the per diem paid under subsection (b).”.

**SEC. 572. REPEAL OF REQUIREMENT TO PAY SUBSISTENCE CHARGES WHILE HOSPITALIZED.**

Section 1075 of title 10, United States Code, is repealed.

## Subtitle H—Other Matters

**SEC. 581. ALTERNATE INITIAL MILITARY SERVICE OBLIGATION FOR PERSONS WITH SPECIALIZED SKILLS.**

Subsection (a) of section 651 of title 10, United States Code, is amended to read as follows:

“(a)(1) Each person who becomes a member of an armed force, other than a person described in paragraph (2), shall serve in the armed forces for a total initial period of not less than six years nor more than eight years, as provided in regulations prescribed by the Secretary of Defense for the armed forces under his jurisdiction and by the Secretary of Homeland Security for the Coast Guard when it is not operating as a service in the Navy, unless such person is sooner discharged under such regulations because of personal hardship. Any part of such service that is not active duty or that is active duty for training shall be performed in a reserve component.

“(2) A person is not subject to paragraph (1) if that person—

“(A) is deferred under the next to the last sentence of section 6(d)(1) of the Military Selective Service Act (50 U.S.C. App. 456(d)(1)); or

“(B) is accessed into the armed forces based on unique skills acquired in a civilian occupation, as determined by the Secretary concerned, and will serve in a specialty requiring those skills.”.

**SEC. 582. BASIC TRAINING REQUIREMENT FOR CERTAIN MEMBERS WITH SPECIALIZED SKILLS.**

Paragraph (1) of section 671(c) of title 10, United States Code, is amended to read as follows:

“(1) Under regulations prescribed under paragraph (2), a period of basic training (or equivalent training) shorter than 12 weeks may be established by the Secretary concerned for members of the armed forces who—

“(A) have been credentialed in a medical profession or occupation and are serving in a health-care occupational specialty; or

“(B) have unique skills acquired in a civilian occupation, as determined by the Secretary concerned, and will serve in a military specialty or position requiring those skills.

Any such period shall be established under regulations prescribed under paragraph (2) and may be established notwithstanding section 4(a) of the Military Selective Service Act (50 U.S.C. App. 454(a)).”

**SEC. 583. ELIMINATE MANDATORY TERMS OF OFFICE FOR CERTAIN GENERAL AND FLAG STAFF OFFICERS.**

(a) **ARMY.**—

(1) **CHIEFS OF BRANCHES.**—Section 3036 of title 10, United States Code, is amended—

(A) by repealing subsection (c); and

(B) by redesignating subsections (d) and (e) as subsections (c) and (d), respectively.

(2) **JUDGE ADVOCATE GENERAL AND ASSISTANT JUDGE ADVOCATE GENERAL.**—Section 3037(a) of such title is amended by striking “An officer appointed as the Judge Advocate General or Assistant Judge Advocate General normally holds office for four years. However, the President may terminate or extend the appointment at any time.”

(3) **DEPUTY AND ASSISTANT CHIEFS OF BRANCHES.**—Section 3039(a) of such title is amended by striking “for a tour of duty of not more than four years,”.

(4) **CHIEF OF ARMY NURSE CORPS.**—Section 3069(b) of such title is amended by striking “, but not for more than four years, and may not be reappointed to the same position”.

(5) **CHIEF OF THE ARMY MEDICAL SPECIALIST CORPS.**—Section 3070(b) of such title is amended by striking “, but not for more than four years, and may not be reappointed”.

(b) **NAVY/MARINE CORPS.**—

(1) **CHIEF OF THE BUREAU OF MEDICINE AND SURGERY.**—Section 5137(a) of such title is amended by striking “for a term of four years,”.

(2) **CHIEF OF THE BUREAU OF NAVAL PERSONNEL.**—Section 5141(a) of such title is amended by striking “for a term of four years,”.

(3) **CHIEF OF CHAPLAINS.**—Subsection (c) of section 5142 of such title is repealed.

(4) **JUDGE ADVOCATE GENERAL.**—Section 5148(b) of such title is amended by striking “, for a term of four years”.

(5) **DIRECTOR OF THE NURSE CORPS OR DIRECTOR OF THE MEDICAL SERVICE CORPS.**—Section 5150(c) of such title is amended by striking “for a term of four years,”.

(c) **AIR FORCE JUDGE ADVOCATE GENERAL AND DEPUTY JUDGE ADVOCATE GENERAL.**—Section 8037(a) of such title is amended—

(1) in subsection (a), by striking “The term of office is four years, but may be sooner terminated or extended by the President.”; and

(2) in subsection (d)(1), by striking “The term of office of the Deputy Judge Advocate General is four years, but may be sooner terminated or extended by the President.”.

**SEC. 584. PROHIBIT COURT ORDERED PAYMENTS BEFORE RETIREMENT BASED ON IMPUTATION OF RETIRED PAY.**

(a) **IN GENERAL.**—Section 1408(c)(3) of title 10, United States Code, is amended—

(1) by inserting “(A)” after “(3)”; and

(2) by adding at the end the following new subparagraph:

“(B) Notwithstanding any other provision of law, a court may not order a member to make payments based upon an imputation of a property interest in future retired pay of any kind to a spouse or former spouse before the date of the member’s actual retirement.”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to final court orders or court orders seeking enforcement of prior final decrees issued on or after the enactment of this Act.

# TITLE VI—COMPENSATION AND OTHER PERSONNEL BENEFITS

## Subtitle A—Pay and Allowances

### SEC. 601. TERMINATION OF ASSIGNMENT INCENTIVE PAY FOR MEMBERS ON TERMINAL LEAVE.

Paragraph (e) of section 307a of title 37, United States Code, is amended by inserting before the period at the end the following: “, other than terminal leave when the member will not be returning to the assignment”.

### SEC. 602. MORE FLEXIBLE RETIREMENT RULES FOR MILITARY OFFICERS.

(a) IN GENERAL.—Section 1370 of title 10, United States Code, is amended to read as follows:

#### “§ 1370. Commissioned officers: general rule; exceptions

“(a) RULE FOR RETIREMENT IN HIGHEST GRADE HELD SATISFACTORILY.—(1) Unless entitled to a higher retired grade under some other provision of law, a commissioned officer (other than a commissioned warrant officer) of the Army, Navy, Air Force, or Marine Corps who retires under any provision of law other than chapter 61 or chapter 1223 of this title shall, subject to the criteria specified under paragraph (2) or (3), be retired in the highest grade in which he served on active duty satisfactorily, as determined by the Secretary concerned.

“(2) In order to be eligible for voluntary retirement in a grade at or below the grade of major or lieutenant commander, a commissioned officer of the Army, Navy, Air Force, or Marine Corps covered by paragraph (1) must have served on active duty in that grade for not less than six months.

“(3)(A) In order to be eligible for voluntary retirement in a grade above major or lieutenant commander and below brigadier general or rear admiral (lower half), a commissioned officer of the Army, Navy, Air Force, or Marine Corps covered by paragraph (1) must have served on active duty in that grade for not less than three years, except that the Secretary of Defense may authorize the Secretary concerned to reduce such period to a period not less than two years.

“(B) An officer at or above the grade of brigadier general or rear admiral (lower half) may be retired in the highest grade in which he served on active duty satisfactorily, upon approval by the Secretary concerned and concurrence by the Secretary of Defense or another civilian official in the Office of the Secretary of Defense appointed by the President, by and with the advice and consent of the Senate, to which the Secretary of Defense has delegated such authority.

“(C) The President may waive subparagraph (A) in individual cases involving extreme hardship or exceptional or unusual circumstances. The authority of the President under the preceding sentence may not be delegated.

“(4) A reserve or temporary officer who is notified that he will be released from active duty without his consent, and thereafter requests retirement under section 3911, 6323, or 8911 of this title and is retired pursuant to that request, is considered for purposes of this section to have been retired involuntarily. An officer retired pursuant to section 1186(b)(1) of this title is considered for purposes of this section to have been retired voluntarily.

“(b) RETIREMENT IN NEXT LOWER GRADE.—An officer whose length of service in the highest grade he held while on active duty does not meet the service in grade requirements specified in subsection (a) or whose service on active duty in that grade was not determined to be satisfactory by the Secretary concerned shall be retired in the next lower grade in which he served on active duty satisfactorily, as determined by the Secretary concerned, for not less than six months.

“(c) RESERVE OFFICERS.—(1) Unless entitled to a higher grade, or to credit for satisfactory service in a higher grade, under some other provision of law, a person who is entitled to retired pay under chapter 1223 of this title shall, upon application under section 12731 of this title, be credited with satisfactory service in the highest grade in which that person served satisfactorily at any time in the armed forces, as determined by the Secretary concerned in accordance with this subsection.

“(2) In order to be credited with satisfactory service in an officer grade (other than a warrant officer grade) below the grade of lieutenant colonel or commander, a person covered by paragraph (1) must have served satisfactorily in that grade (as determined by the Secretary concerned) as a reserve commissioned officer in an active status, or in a retired status on active duty, for not less than six months.



"(3)(A)(i) In order to be credited with satisfactory service in an officer grade above major or lieutenant commander and below brigadier general or rear admiral (lower half), a person covered by paragraph (1) must have served satisfactorily in that grade (as determined by the Secretary concerned) as a reserve commissioned officer in an active status, or in a retired status on active duty, for not less than three years, except that the Secretary of Defense may authorize the Secretary concerned to reduce such period to a period not less than two years.

"(ii) An officer at or above the grade of lieutenant general or vice admiral may be retired in the highest grade in which he served satisfactorily, upon approval by the Secretary concerned and concurrence by the Secretary of Defense or another civilian official in the Office of the Secretary of Defense appointed by the President, by and with the advice and consent of the Senate, to which the Secretary of Defense has delegated such authority.

"(B) A person covered by subparagraph (A)(i) who has completed at least six months of satisfactory service in grade and is transferred from an active status or discharged as a reserve commissioned officer solely due to the requirements of a nondiscretionary provision of law requiring that transfer or discharge due to the person's age or years of service may be credited with satisfactory service in the grade in which serving at the time of such transfer or discharge, notwithstanding the failure of the person to complete three years of service in that grade.

"(C) To the extent authorized by the Secretary concerned, a person who, after having been recommended for promotion in a report of a promotion board but before being promoted to the recommended grade, served in a position for which that grade is the minimum authorized grade may be credited for purposes of subparagraph (A)(i) as having served in that grade for the period for which the person served in that position while in the next lower grade. The period credited may not include any period before the date on which the Senate provides advice and consent for the appointment of that person in the recommended grade.

"(D) To the extent authorized by the Secretary concerned, a person who, after having been found qualified for Federal recognition in a higher grade by a board under section 307 of title 32, serves in a position for which that grade is the minimum authorized grade and is appointed as a reserve officer in that grade may be credited for the purposes of subparagraph (A)(i) as having served in that grade. The period of the service for which credit is afforded under the preceding sentence may only be the period for which the person served in the position after the Senate provides advice and consent for the appointment.

"(4) A person whose length of service in the highest grade held does not meet the service in grade requirements specified in this subsection shall be credited with satisfactory service in the next lower grade in which that person served satisfactorily (as determined by the Secretary concerned) for not less than six months."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to the computation of retired or retainer pay of any individual who becomes entitled to that pay on or after the date of enactment of this Act.

#### SEC. 603. MORE FLEXIBLE COMPUTATION OF RETIRED PAY FOR OFFICERS AND SENIOR ENLISTED MEMBERS.

(a) MODIFICATION OF RETIRED PAY FORMULAS.—(1) Chapter 71 of title 10, United States Code, is amended by inserting after section 1401a the following new section:

##### **"§ 1401b. Maximum multiplier in the computation of retired pay**

"Notwithstanding any other provision of law that limits retired pay computed under this chapter or under chapter 1223 of this title to a maximum of 75 percent of the member's base determined under section 1406 or 1407 of this title, the maximum amount of retired pay as a percentage of such base will be limited as follows:

"(1) For members retired before October 1, 2003, use limitations prescribed in other sections of law.

"(2) For members retired on or after October 1, 2003, use the limitations prescribed in other sections of law except in the case of—

"(A) members retired in the grade O-7 and above with more than 30 years of creditable service in the computation of the multiplier percentage under section 1409 of this title, such percentage is not limited to 75 percent for any time served in excess of 30 years otherwise creditable after October 1, 2003; and

"(B) members retired in the grades E-8 through O-6, inclusive, with more than 30 years of creditable service in the computation of the multiplier percentage under section 1409 of this title, such percentage is not limited to 75 percent for any time served under conditions authorized such additional credit during a period established by the Secretary of Defense."

(2) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 1401a the following new item:

"1401b. Maximum multiplier in the computation of retired pay."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to the computation of retired or retainer pay of any individual who becomes entitled to that pay on or after the date of enactment of this Act.

**SEC. 604. ELIMINATE RETIRED PAY LIMIT APPLICABLE TO GENERAL AND FLAG OFFICERS.**

(a) RETIRED PAY BASE FOR MEMBERS WHO FIRST BECAME MEMBERS BEFORE SEPTEMBER 8, 1980.—Section 1406 of title 10, United States Code, is amended by adding at the end the following new subsection:

"(j) RETIRED PAY BASE.—In the case of a member at grade O-7 and above, the rates of basic pay used to compute the pay base prescribed in this section shall be the rates applicable to the grade or position without regard to any provision of law limiting such pay to the rate of pay for level III of the Executive Schedule."

(b) RETIRED PAY BASE FOR MEMBERS WHO FIRST BECAME MEMBERS AFTER SEPTEMBER 7, 1980.—Section 1407 of such title is amended by adding at the end the following new subsection:

"(g) RETIRED PAY BASE.—In the case of a member at grade O-7 and above, the rates of basic pay used to compute the pay base prescribed in this section shall be the rates applicable to the grade or position without regard to any provision of law limiting such pay to the rate of pay for level III of the Executive Schedule."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to the computation of retired or retainer pay of any individual who becomes entitled to that pay on or after the date of enactment of this Act.

**SEC. 605. GRANT BASIC ALLOWANCE FOR HOUSING WAIVERS FOR 12 MONTHS OR LESS ON PERMANENT CHANGE OF STATION ASSIGNMENTS THAT ARE PRINCIPALLY FOR EDUCATION OR TRAINING.**

Paragraph (3) of section 403(d) of title 37, United States Code, is amended by adding at the end the following new subparagraph:

"(C) Where a member receives a permanent change of station or permanent change of assignment, within the continental United States, of 12 months duration or less for purposes of participating in professional military education or training classes, the amount of the basic allowance for housing for the member may be based on the area in which the dependents reside or the member's last duty station, whichever the Secretary concerned determines to be most equitable. The dependents must continue to live at the member's last duty station in order to qualify for the rate based on that area."

## Subtitle B—Bonuses and Special and Incentive Pays

**SEC. 611. ONE-YEAR EXTENSION OF CERTAIN BONUS AND SPECIAL PAYS FOR RESERVE FORCES.**

(a) SPECIAL PAY FOR HEALTH PROFESSIONALS IN CRITICALLY SHORT WARTIME SPECIALTIES.—Section 302g(f) of title 37, United States Code, is amended by striking "December 31, 2004" and inserting "December 31, 2005".

(b) SELECTED RESERVE REENLISTMENT BONUS.—Section 308b(f) of such title is amended by striking "December 31, 2004" and inserting "December 31, 2005".

(c) SELECTED RESERVE ENLISTMENT BONUS.—Section 308c(e) of such title is amended by striking "December 31, 2004" and inserting "December 31, 2005".

(d) SPECIAL PAY FOR ENLISTED MEMBERS ASSIGNED TO CERTAIN HIGH PRIORITY UNITS.—Section 308d(c) of such title is amended by striking "December 31, 2004" and inserting "December 31, 2005".

(e) SELECTED RESERVE AFFILIATION BONUS.—Section 308e(e) of such title is amended by striking "December 31, 2004" and inserting "December 31, 2005".

(f) READY RESERVE ENLISTMENT AND REENLISTMENT BONUS.—Section of 308h(g) of such title is amended by striking "December 31, 2004" and inserting "December 31, 2005".

(g) PRIOR SERVICE REENLISTMENT BONUS.—Section 308i(f) of such title is amended by striking "December 31, 2004" and inserting "December 31, 2005".

(h) REPAYMENT OF EDUCATION LOANS FOR CERTAIN HEALTH PROFESSIONALS WHO SERVE IN THE SELECTED RESERVE.—Section 16302(d) of title 10, United States Code, is amended by striking "January 1, 2005" and inserting "January 1, 2006".

**SEC. 612. BONUS FOR OFFICERS TO SERVE IN THE SELECTED RESERVE IN A CRITICAL SKILL OR MANPOWER SHORTAGE.**

(a) IN GENERAL.—Chapter 5 of title 37, United States Code, is amended by adding at the end the following new section:

**“§ 308j. Special pay: bonus for officers to serve in the Selected Reserve in a critical skill or manpower shortage**

“(a) BONUS AUTHORIZATION.—The Secretary of Defense may pay—

“(1) an affiliation bonus to an officer of an armed force, including a warrant officer, (other than an officer who has previously served in the Selected Reserve or an officer who is entitled to retired pay) who executes a written agreement to serve in the Selected Reserve of the Ready Reserve for a period of not less than three years in a designated critical officer skill or manpower shortage after being discharged or released from active duty under honorable conditions, once the officer affiliates with a unit or position in the Selected Reserve; and

“(2) an accession bonus to a person who executes a written agreement to accept a commission as an officer of the armed forces and serve in the Selected Reserve of the Ready Reserve in a designated critical officer skill for a period of not less than three years, upon acceptance of the agreement by the Secretary concerned.

“(b) DESIGNATION OF CRITICAL OFFICER SHORTAGE.—The Secretary concerned shall designate the critical officer skill shortages and critical manpower shortages for the purposes of this section.

“(1) A skill may be designated as a critical officer skill for an armed force under this subsection if—

“(A) to meet requirements of the armed force, it is critical for the armed force to have a sufficient number of officers who are qualified in that skill; or

“(B) to mitigate a current or projected significant shortage of personnel in the armed force who are qualified in that skill, it is critical to access into that armed force in sufficient numbers persons who are qualified in that skill or are to be trained in that skill.

“(2) A manpower shortage may be designated for a current or projected shortage in a unit or overall shortage in a pay grade.

“(c) LIMITATION ON AMOUNT OF BONUS.—The amount of a bonus under subsection (a) may not exceed \$12,000.

“(d) PAYMENT METHOD.—Upon acceptance of a written agreement by the Secretary concerned, the total amount of the bonus payable under the agreement becomes fixed. The agreement shall specify whether the bonus shall be paid by the Secretary in a lump sum or installments.

“(e) RELATION TO OTHER ACCESSION BONUS AUTHORITY.—An officer or individual may not receive a bonus under this section and financial assistance under chapter 1608, 1609 or 1611 of title 10, or under section 302g of this title, for the same period of service.

“(f) REPAYMENT FOR FAILURE TO COMMENCE OR COMPLETE OBLIGATED SERVICE.—(1) An individual who, after receiving all or part of the bonus under an agreement referred to in subsection (a), does not accept a commission as an officer or does not commence to or does not satisfactorily participate in the Selected Reserve for the total period of service specified in the agreement shall repay to the United States such compensation or benefit, except under conditions established by the Secretary concerned.

“(2) The Secretary concerned shall set forth whether repayment is required in whole or in part, the method for computing the amount of the repayment, and the conditions under which an exception to the required repayment would apply.

“(3) An obligation to repay the United States imposed under paragraph (1) is for all purposes a debt owed to the United States. A discharge in bankruptcy under title 11 that is entered less than five years after the termination of an agreement entered into under subsection (a) does not discharge the individual signing the agreement from a debt arising under such agreement or under paragraph (1).”

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“308j. Special pay: bonus for officers to serve in the Selected Reserve in critical skill or manpower shortage.”.

**SEC. 613. CRITICAL SKILLS RETENTION BONUS; ELIGIBILITY OF MEMBERS SERVING ON INDEFINITE REENLISTMENT IS INVOLVED.**

Section 323(a) of title 37, United States Code, is amended—

(1) in paragraph (1), by striking “or” at the end;



(2) by striking the period at the end of paragraph (2) and inserting “; or”;  
and

(3) by adding at the end the following new paragraph:

“(3) in the case of an enlisted member serving on an indefinite reenlistment, the member executes a written agreement to remain on active duty for at least 1 year.”.

#### SEC. 614. FOREIGN LANGUAGE PROFICIENCY PAY.

Section 1596a of title 10, United States Code, is amended—

(1) in subsection (a)(2), by striking “during a contingency operation supported by the armed forces”; and

(2) in subsection (c), by inserting before the period at the end the following: “and shall not be considered base pay for any purpose”.

#### SEC. 615. REPAYMENT OF UNEARNED PORTIONS OF BONUSES, SPECIAL PAYS, -AND EDUCATIONAL BENEFITS.

(a) REPAYMENT OF UNEARNED PORTIONS OF BONUSES.—(1) Chapter 5 of title 37, United States Code, is amended by adding at the end the following new section:

##### “§ 327. Repayment of unearned portions of bonuses, incentives, special pay or similar payments, or educational benefits or stipends, when conditions of payment not met

“(a) IN GENERAL.—A member of the uniformed services who has received a bonus, incentive, special pay or similar payment, or an educational benefit or stipend, and who is, by law, subject to the repayment provisions of this section shall repay to the United States such compensation or benefit when the member does not meet the conditions of the pay or benefit, except under conditions established by the Secretary concerned.

“(b) REGULATIONS.—The Secretary concerned may set forth in regulations procedures for determining the amount of any repayment, and the conditions under which an exception to the required repayment would apply. The Secretary concerned may specify in such regulations the conditions under which any future installment payment of a bonus, incentive, special pay, or similar payment or benefit will not be made when the member does not meet the conditions of pay or benefit. For the military departments, this section shall be administered under regulations prescribed by the Secretary of Defense.

“(c) DEBT.—An obligation to repay the United States under subsection (a) is, for all purposes, a debt owed the United States.

“(d) EFFECT OF BANKRUPTCY.—A discharge in bankruptcy under title 11 does not discharge a person from a debt under this section if the final decree of discharge is entered less than five years after the date of the termination of the service or the date of the termination of the agreement on which the debt is based. This subsection applies to any case commenced under title 11 after March 30, 2005.”.

(2) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“327. Repayment of unearned portions of bonuses, incentives, special pay or similar payments, or educational benefits or stipends, when conditions of payment not met.”.

(b) AVIATION CAREER OFFICER RETENTION BONUS.—Subsection (g) of section 301b of such title is amended to read as follows:

“(g) REPAYMENT OF BONUS.—An officer who does not complete the period of active duty specified in the agreement entered into under subsection (a) shall be subject to the repayment provisions of section 327 of this title.”.

(c) MEDICAL OFFICER MULTIYEAR RETENTION BONUS.—Subsection (c) of section 301d of such title is amended to read as follows:

“(c) REPAYMENT OF BONUS.—An officer who does not complete the period of active duty specified in the agreement entered into under subsection (a) shall be subject to the repayment provisions of section 327 of this title.”.

(d) DENTAL OFFICER MULTIYEAR RETENTION BONUS.—Subsection (d) of section 301e of such title is amended to read as follows:

“(d) REPAYMENT OF BONUS.—An officer who does not complete the period of active duty specified in the agreement entered into under subsection (a) shall be subject to the repayment provisions of section 327 of this title.”.

(e) MEDICAL OFFICER SPECIAL PAY.—Section 302 of such title is amended—

(1) in subsection (c), by amending the last sentence in paragraph (2) to read as follows: “If such entitlement is terminated, the officer concerned shall be subject to the repayment provisions of section 327 of this title.”; and

(2) by amending subsection (f) to read as follows:

"(f) REPAYMENT.—An officer who does not complete the period for which the payment was made under subsection (a)(4) or (b)(1) shall be subject to the repayment provisions of section 327 of this title."

(f) OPTOMETRIST RETENTION SPECIAL PAY.—Paragraph (4) of section 302a(b) of such title is amended to read as follows:

"(4) REPAYMENT.—The Secretary concerned may terminate at any time the eligibility of an officer to receive retention special pay under paragraph (1). An officer who does not complete the period for which the payment was made under paragraph (1) shall be subject to the repayment provisions of section 327 of this title."

(g) DENTAL OFFICER SPECIAL PAY.—Section 302b of such title is amended—

(1) in subsection (b), by striking the second sentence in paragraph (2);

(2) by amending subsection (e) to read as follows:

"(e) REPAYMENT.—An officer who does not complete the period of active duty for which the payment was made under subsection (a)(4) shall be subject to the repayment provisions of section 327 of this title";

(3) by striking subsection (f); and

(4) by redesignating subsections (g) and (h) as subsections (f) and (g), respectively.

(h) ACCESSION BONUS FOR REGISTERED NURSES.—Subsection (d) of section 302d of such title is amended to read as follows:

"(d) An officer who does not become and remain licensed as a registered nurse during the period for which the payment is made, or who does not complete the period of active duty specified in the agreement entered into under subsection (a) shall be subject to the repayment provisions of section 327 of this title."

(i) NURSE ANESTHETIST SPECIAL PAY.—Section 302e of such title is amended—

(1) in subsection (c), by striking the last sentence; and

(2) by amending subsection (e) to read as follows:

"(e) An officer who does not complete the period of active duty specified in the agreement entered into under subsection (a) shall be subject to the repayment provisions of section 327 of this title."

(j) RESERVE, RECALLED OR RETAINED HEALTH CARE OFFICERS SPECIAL PAY.—Subsection (c) of section 302f of such title is amended by striking "refund" and inserting "repay".

(k) SELECTED RESERVE HEALTH CARE PROFESSIONALS IN CRITICALLY SHORT WARTIME SPECIALTIES SPECIAL PAY.—Section 302g of such title is amended—

(1) by striking subsections (d) and (e);

(2) by inserting after subsection (c) the following new subsection (d):

"(d) REPAYMENT.—An officer who does not complete the period of service in the Selected Reserve of an armed force specified in the agreement entered into under subsection (a) shall be subject to the repayment provisions of section 327 of this title"; and

(3) by redesignating subsection (f) as subsection (e).

(l) ACCESSION BONUS FOR DENTAL OFFICERS.—Subsection (d) of section 302h of such title is amended to read as follows:

"(d) A person after signing a written agreement who thereafter is not commissioned as an officer of the armed forces, or does not become licensed as a dentist, or does not complete the period of active duty specified in the agreement entered into under subsection (a) shall be subject to the repayment provisions of section 327 of this title."

(m) ACCESSION BONUS FOR PHARMACY OFFICERS.—Subsection (e) of section 302j of such title is amended to read as follows:

"(e) A person after signing a written agreement who thereafter is not commissioned as an officer of the armed forces, or does not become and remain certified or licensed as a pharmacist, or does not complete the period of active duty specified in the agreement entered into under subsection (a) shall be subject to the repayment provisions of section 327 of this title."

(n) REENLISTMENT BONUS FOR ACTIVE MEMBERS.—Subsection (d) of section 308 of such title is amended to read as follows:

"(d) REPAYMENT OF BONUS.—A member who does not complete the term of enlistment for which a bonus was paid to the member under this section, or a member who is not technically qualified in the skill for which a bonus was paid to him under this section, shall be subject to the repayment provisions of section 327 of this title."

(o) REENLISTMENT BONUS FOR SELECTED RESERVE.—Subsection (d) of section 308b of such title is amended to read as follows:

"(d) A member who does not complete the term of enlistment in the element of the Selected Reserve of the Ready Reserve for which the bonus was paid to the

member under this section, shall be subject to the repayment provisions of section 327 of this title."

(p) ENLISTMENT BONUS FOR SELECTED RESERVE.—Subsection (d) of section 308c of such title is amended to read as follows:

"(d) REPAYMENT.—A member who does not participate satisfactorily in training with his unit during a term of enlistment for which a bonus has been paid to him under this section shall be subject to the repayment provisions of section 327 of this title."

(q) RESERVE AFFILIATION BONUS.—Subsection (d) of section 308e of such title is amended to read as follows:

"(d) REPAYMENT.—A member who does not participate satisfactorily in training with his unit during a term of enlistment for which a bonus has been paid to him under this section shall be subject to the repayment provisions of section 327 of this title."

(r) READY RESERVE ENLISTMENT BONUS.—Section 308g of such title is amended—

(1) by amending subsection (d) to read as follows:

"(d) REPAYMENT.—A person who does not serve satisfactorily in the element of the Ready Reserve in the combat or combat support skill for the period for which the bonus was paid under this section shall be subject to the repayment provisions of section 327 of this title";

(2) by striking subsections (e) and (f); and

(3) by redesignating subsections (g) and (h) as subsections (e) and (f), respectively.

(s) READY RESERVE REENLISTMENT, ENLISTMENT, AND VOLUNTARY EXTENSION OF ENLISTMENT BONUS.—Section 308h of such title is amended—

(1) by amending subsection (c) to read as follows:

"(c) REPAYMENT.—A person who does not complete the period of enlistment or extension of enlistment for which the bonus was paid under this section shall be subject to the repayment provisions of section 327 of this title";

(2) by striking subsections (d) and (e); and

(3) by redesignating subsections (f) and (g) as subsections (d) and (e), respectively.

(t) PRIOR SERVICE ENLISTMENT BONUS.—Subsection (d) of section 308i of such title is amended to read as follows:

"(d) A person who receives a bonus payment under this section and who, during the period for which the bonus was paid, does not serve satisfactorily in the element of the Selected Reserve of the Ready Reserve with respect to which the bonus was paid shall be subject to the repayment provisions of section 327 of this title."

(u) ENLISTMENT BONUS.—Subsection (b) of section 309 of such title is amended to read as follows:

"(b) A member who does not complete the term of enlistment for which a bonus was paid to the member under this section, or a member who is not technically qualified in the skill for which a bonus was paid, shall be subject to the repayment provisions of section 327 of this title."

(v) SPECIAL PAY FOR NUCLEAR-QUALIFIED OFFICERS EXTENDING ACTIVE DUTY.—Subsection (b) of section 312 of such title is amended to read as follows:

"(b) REPAYMENT.—An officer who does not complete the period of active duty in connection with supervision, operation, and maintenance of naval nuclear propulsion plants which the officer agreed to serve, and for which the payment was made under subsection (a)(3) or (d)(1), shall be subject to the repayment provisions of section 327 of this title."

(w) NUCLEAR CAREER ACCESSION BONUS.—Paragraph (2) of section 312b(a) of such title is amended to read as follows:

"(2) An officer who does not commence or complete satisfactorily the nuclear power training specified in the agreement under paragraph (1) shall be subject to the repayment provisions of section 327 of this title."

(x) ENLISTED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS.—Subsection (d) of section 314 of such title is amended to read as follows:

"(d) A member who, having entered into a written agreement to extend a tour of duty for a period under subsection (a), receives a bonus payment under subsection (b)(2) for a 12-month period covered by the agreement and ceases during that 12-month period to perform the agreed tour of duty shall be subject to the repayment provisions of section 327 of this title."

(y) SPECIAL WARFARE OFFICERS EXTENDING PERIOD OF ACTIVE DUTY.—Subsection (h) of section 318 of such title is amended to read as follows:

"(h) An officer who, having entered into a written agreement under subsection (b) and has received all or part of a bonus under this section, does not complete the



period of active duty in special warfare service as specified in the agreement, shall be subject to the repayment provisions of section 327 of this title.”.

(z) SURFACE WARFARE OFFICERS EXTENDING PERIOD OF ACTIVE DUTY.—Subsection (f) of section 319 of such title is amended to read as follows:

“(f) An officer who, having entered into a written agreement under subsection (b) and having received all or part of a bonus under this section, does not complete the period of active duty as a department head on a surface vessel specified in the agreement, shall be subject to the repayment provisions of section 327 of this title.”.

(aa) JUDGE ADVOCATE CONTINUATION PAY.—Subsection (f) of section 321 of such title is amended to read as follows:

“(f) An officer who has entered into a written agreement under subsection (b) and has received all or part of the amount payable under the agreement but who does not complete the total period of active duty specified in the agreement, shall be subject to the repayment provisions of section 327 of this title.”.

(bb) 15-YEAR CAREER STATUS BONUS FOR MEMBERS ENTERING SERVICE ON OR AFTER AUGUST 1, 1986.—Subsection (f) of section 322 of such title is amended to read as follows:

“(f) If a person paid a bonus under this section does not complete a period of active duty beginning on the date on which the election of the person under subsection (a)(1) is received and ending on the date on which the person completes 20 years of active duty service as described in subsection (a)(2), the person shall be subject to the repayment provisions of section 327 of this title.”.

(cc) RETENTION INCENTIVES FOR MEMBERS QUALIFIED IN A CRITICAL MILITARY SKILL.—Subsection (g) of section 323 of such title is amended to read as follows:

“(g) A member who has entered into a written agreement under subsection (a), and who does not complete the total period of active duty specified in the agreement, shall be subject to the repayment provisions of section 327 of this title.”.

(dd) ACCESSION BONUS FOR NEW OFFICERS IN CRITICAL SKILLS.—Subsection (f) of section 324 of such title is amended to read as follows:

“(f) An individual who, having received all or part of the bonus under an agreement referred to in subsection (a), is not thereafter commissioned as an officer or does not commence or does not complete the total period of active duty service specified in the agreement, shall be subject to the repayment provisions of section 327 of this title.”.

(ee) INCENTIVE BONUS: SAVINGS PLAN FOR EDUCATION EXPENSES AND OTHER CONTINGENCIES.—Subsection (g) of section 325 of such title is amended to read as follows:

“(g) If a person does not complete the qualifying service for which the person is obligated under a commitment for which a benefit has been paid under this section, the person shall be subject to the repayment provisions of section 327 of this title.”.

(ff) ENLISTMENT INCENTIVES FOR PURSUIT OF SKILLS TO FACILITATE NATIONAL SERVICE.—Subsection (i) of section 510 of title 10, United States Code, is amended to read as follows:

“(i) If a National Call to Service participant who has entered into an agreement under subsection (b) and received or benefitted from an incentive under subsection (e)(1) or (e)(2) fails to complete the total period of service specified in such agreement, the National Call to Service participant shall be subject to the repayment provisions of section 327 of title 37.”.

(gg) SCHOLARSHIP PROGRAM FOR QUALIFYING PERSONNEL FOR ACQUISITION POSITIONS IN THE DEPARTMENT OF DEFENSE.—Paragraph (3) of section 1744(d) of such title is amended to read as follows:

“(3) For a uniformed member who is separated from service before the end of the period for which the person has agreed to continue in the service in an acquisition position shall be subject to the repayment provisions of section 327 of title 37. For an employee of the Department of Defense, the Secretary may waive in whole or in part a required repayment under this subsection if the Secretary determines the recovery would be against equity and good conscience or would be contrary to the best interests of the United States.”.

(hh) ADVANCED EDUCATION ASSISTANCE.—Section 2005 of such title is amended—

(1) in subsection (a), by amending paragraph (3) to read as follows:

“(3) that if such person does not complete the period of active duty specified in the agreement, or does not fulfill any term or condition prescribed pursuant to clause (4), such person shall be subject to the repayment provisions of section 327 of title 37.”;

(2) by striking subsections (c), (d), (g) and (h);

(3) by redesignating subsections (e) and (f) as subsections (c) and (d), respectively; and

(4) by amending subsection (d), as redesignated by paragraph (3), to read as follows:

“(d) The Secretary concerned shall require, as a condition to the Secretary providing financial assistance under section 2107 or 2107a of this title to any person, that such person enter into an agreement described in subsection (a). In addition to the requirements of subsections (a)(1) through (a)(4), any agreement required by this subsection shall provide that if such person does not complete the education requirements specified in the agreement, or does not fulfill any term or condition prescribed pursuant to subsection (a)(4), the person shall be subject to the repayment provisions of section 327 of title 37 without the Secretary first ordering such person to active duty as provided for under subsection (a)(2) and sections 2107(f) and 2107a(f) of this title.”

(ii) TUITION FOR OFF-DUTY TRAINING OR EDUCATION.—Section 2007 of such title is amended by adding at the end the following new subsection:

“(f) REPAYMENT.—If such person does not complete the period of active duty specified in the agreement under subsection (b), such person shall be subject to the repayment provisions of section 327 of title 37.”

(jj) ADVANCED TRAINING, FAILURE TO COMPLETE OR TO ACCEPT COMMISSION.—Section 2105 of such title is amended—

(1) by striking “A member” and inserting “(a) A member”; and

(2) by adding at the end the following new subsection:

“(b) REPAYMENT.—If such person does not complete the period of active duty specified under subsection (a), the person shall be subject to the repayment provisions of section 327 of title 37.”

(kk) FINANCIAL ASSISTANCE PROGRAM FOR SPECIALLY SELECTED MEMBERS.—Section 2107 of such title is amended by adding at the end the following new subsection:

“(j) REPAYMENT.—A person after signing a written agreement who thereafter is not commissioned as an officer or does not complete the period of service as specified in subsection (b), (f) or (h)(2), shall be subject to the repayment provisions of section 327 of title 37.”

(ll) HEALTH PROFESSIONS SCHOLARSHIP AND FINANCIAL ASSISTANCE PROGRAM FOR ACTIVE SERVICE.—Subparagraph (C) of section 2123(e)(1) of such title is amended to read as follows:

“(C) If such person does not complete the period of active duty obligation specified under subsection (a), such person shall be subject to the repayment provisions of section 327 of title 37.”

(mm) FINANCIAL ASSISTANCE: NURSE OFFICER CANDIDATES.—Subsection (d) of section 2130a of such title is amended to read as follows:

“(d) REPAYMENT.—A person who does not complete a nursing degree program in which the person is enrolled in accordance with the agreement entered into under subsection (a), or having completed the nursing degree program, does not become an officer in the Nurse Corps of the Army or the Navy or an officer designated as a nurse officer of the Air Force or commissioned corps of the Public Health Service; or does not complete the period of obligated active service required under the agreement, shall be subject to the repayment provisions of section 327 of title 37.”

(nn) EDUCATION LOAN REPAYMENT PROGRAM: COMMISSIONED OFFICERS IN SPECIFIED HEALTH PROFESSIONS.—Subsection (g) of section 2173 of such title is amended—

(1) by inserting “(1)” after “(g)”; and

(2) by adding at the end the following new paragraph:

“(2) An officer who does not complete the period of active duty specified in the agreement entered into under subsection (a)(3), or the alternative obligation under paragraph (1), shall be subject to the repayment provisions of section 327 of title 37.”

(oo) SCHOLARSHIP PROGRAM FOR DEGREE PROGRAM FOR DEGREE OR CERTIFICATION IN INFORMATION ASSURANCE.—Section 2200a of such title is amended—

(1) by amending subsection (e) to read as follows:

“(e) REPAYMENT FOR PERIOD OF UNSERVED OBLIGATED SERVICE.—(1) A member of an armed force who does not complete the period of active duty specified in the service agreement under section (b) shall be subject to the repayment provisions of section 327 of title 37.

“(2) A civilian employee of the Department of Defense who voluntarily terminates service before the end of the period of obligated service required under an agreement entered into under subsection (b) shall refund to the United States an amount determined by the Secretary of Defense as being appropriate to obtain ade-

quate service in exchange for financial assistance and otherwise to achieve the goals set forth in section 2200(a) of this title.

“(A) OBLIGATION AS DEBT.—An obligation to reimburse the United States imposed under paragraph (1) is for all purposes a debt owed to the United States.

“(B) REPAYMENT.—The Secretary of Defense may waive, in whole or in part a refund required under paragraph (1) if the Secretary determines that recovery would be against equity and good conscience or would be contrary to the best interests of the United States.

“(C) EFFECT OF DISCHARGE IN BANKRUPTCY.—A discharge in bankruptcy under title 11 that is entered less than five years after the termination of an agreement under this section does not discharge the person signing such agreement from a debt arising under such agreement or under this subsection.”;

(2) by striking subsection (f); and

(3) by redesignating subsection (g) as subsection (f).

(pp) CADETS: AGREEMENT TO SERVICE AS OFFICER.—Section 4348 of such title is amended by adding at the end the following new subsection:

“(f) A cadet or former cadet who does not fulfill the terms of the agreement as specified under section (a), or the alternative obligation under subsection (b), shall be subject to the repayment provisions of section 327 of title 37.”.

(qq) MIDSHIPMEN: AGREEMENT FOR LENGTH OF SERVICE.—Section 6959 of such title is amended by adding at the end the following new subsection:

“(f) A midshipman or former midshipman who does not fulfill the terms of the agreement as specified under section (a), or the alternative obligation under subsection (b), shall be subject to the repayment provisions of section 327 of title 37.”.

(rr) CADETS: AGREEMENT TO SERVICE AS OFFICER.—Section 9348 of such title is amended by adding at the end the following new subsection:

“(f) A cadet or former cadet who does not fulfill the terms of the agreement as specified under section (a), or the alternative obligation under subsection (b), shall be subject to the repayment provisions of section 327 of title 37.”.

(ss) CADETS: NUMBER, APPOINTMENT, OBLIGATION TO SERVE.—Section 182 of title 14, United States Code, is amended by adding at the end the following new subsection:

“(g) A cadet or former cadet who does not fulfill the terms of the obligation to serve as specified under section (b), or the alternative obligation under subsection (c), shall be subject to the repayment provisions of section 327 of title 37.”.

(tt) EDUCATIONAL ASSISTANCE FOR MEMBERS OF THE SELECTED RESERVE.—Section 16135 of title 10 United States Code, is amended to read as follows:

**“§ 16135. Failure to participate satisfactorily; penalties**

“(a) A member of the Selected Reserve of the Ready Reserve of an armed force who does not participate satisfactorily in required training as a member of the Selected Reserve during a term of enlistment or other period of obligated service that created entitlement of the member to educational assistance under this chapter, and during which the member has received such assistance, shall, at the option of the Secretary concerned—

“(1) be ordered to active duty for a period of two years or the period of obligated service the person has remaining under section 16132 of this title, whichever is less; or

“(2) be subject to the repayment provisions under section 327 of title 37.

“(b) Any repayment under the provisions of section 327 of title 37 shall not affect the period of obligation of such member to serve as a Reserve in the selected Reserve.”.

(uu) HEALTH PROFESSIONS STIPEND PROGRAM—PENALTIES AND LIMITATIONS.—Subparagraph (B) of section 16203(a)(1) of such title is amended to read as follows:

“(B) shall be subject to the repayment provisions of section 327 of title 37.”.

(vv) MARINE CORPS PLATOON LEADERS CLASS: COLLEGE TUITION ASSISTANCE PROGRAM.—Subsection (f) of section 16401 of such title is amended—

(1) in paragraph (1), by striking “may be required to repay the full amount of financial assistance” and inserting “shall be subject to the repayment provisions of section 327 of title 37”; and

(2) by amending paragraph (2) to read as follows:

“(2) Any requirement to repay any portion of financial assistance received under this section shall be administered under Secretary of Defense regulations issued under section 327 of title 37. The Secretary of the Navy may waive the obligations referenced in paragraph (1) in the case of a person who—”.



(ww) CONVERSION TO MILITARY OCCUPATIONAL SECURITY INCENTIVE BONUS.—Subsection (e) of section 326 of title 37, United States Code, is amended to read as follows:

“(e) REPAYMENT OF BONUS.—A member who fails to serve in such military occupational specialty for the period specified in the agreement executed under subsection (a) shall be subject to the repayment provisions of section 327 of this title.”.

(xx) EFFECTIVE DATE.—(1) The amendments made by this section shall take effect on April 1, 2005.

(2) Notwithstanding paragraph (1)—

(A) the amendments made by this section do not apply to any bonus, incentive, special pay or similar payment (such as education assistance or stipend), which the United States became obligated to pay before April 1, 2005; and

(B) the following provisions in effect on March 30, 2005, shall continue to apply, in accordance with the provisions thereof, with respect to any bonus, incentive, special pay, or an educational benefit or stipend, which the United States became obligated to pay before April 1, 2005:

(i) sections 301b(g), 301d(c), 301e(d), 302(f), 302a(b)(4), 302b, 302d(d), 302e, 302f, 302g, 302h, 302j, 308(d), 308b(d), 308c(d), 308e(d), 308g(d), 308h(c), 308i(d), 309(b), 312(b), 312b(a)(2), 314(d), 318(h), 319(h), 321(f), 322(f), 323(g), 324(f), 325(g), and 326(e) of title 37, United States Code;

(ii) sections 510, 1744(d)(3); 2005(a)(3), (c), (d), (f), and (g); 2007; 2105; 2107; 2123(e)(1)(C); 2130a(d); 2173(g); 2200a(e)(3); 4348; 6959; 9348; 16135; 16203(a)(1)(B); and 16401(f)(1) of title 10, United States Code; and

(iii) section 182 of title 14, United States Code.

## Subtitle C—Travel and Transportation Allowances

### SEC. 621. LODGING COSTS INCURRED IN CONNECTION WITH STUDENT DEPENDENT TRAVEL.

Section 430(b) of title 37, United States Code, is amended—

(1) by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively; and

(2) by inserting after paragraph (1) the following new paragraph (2):

“(2) The allowance described in paragraph (1) may include reimbursement at a rate prescribed by the Secretaries concerned for lodging costs incurred when, for reasons beyond the control of the student, the student is required to procure accommodations while en route.”.

### SEC. 622. EXPANDED TRAVEL AND TRANSPORTATION ALLOWANCES FOR FAMILY MEMBERS TO ATTEND BURIAL CEREMONIES.

Section 411f of title 37, United States Code, is amended—

(1) by amending subsection (b) to read as follows:

“(b) LIMITATIONS.—Allowances under subsection (a) may be provided to the same location determined under section 1482 of title 10, and may not exceed the rates for two days and the time necessary for such travel.”; and

(2) in subsection (c)(1)(C), by striking “If no person described in subparagraph (A) or (B) is provided travel and transportation allowances under subsection (a)(1), the” and inserting “The”.

## Subtitle D—Other Matters

### SEC. 631. ACCUMULATION OF ANNUAL LEAVE BY INTELLIGENCE SENIOR LEVEL EMPLOYEES.

Section 1607 of title 10, United States Code, is amended by adding at the end the following new subsection:

“(d) ACCUMULATION OF ANNUAL LEAVE TO EMPLOYEES IN INTELLIGENCE SENIOR LEVEL POSITIONS.—Employees in Intelligence Senior Level positions designated under subsection (a) may accumulate annual leave consistent with the provisions of section 6304(f) of title 5.”.

# TITLE VII—HEALTH CARE PROVISIONS

## SEC. 701. EXEMPTION OF NONAPPROPRIATED FUND HEALTH BENEFITS PROGRAM FROM NON-FEDERAL LAWS, TAXES, AND MANDATES.

Section 349 of the National Defense Authorization Act for Fiscal Year 1995 (Public Law 103-337; 108 Stat. 2727) is amended by adding at the end the following new subsection:

“(c) EXEMPTION.—(1) No tax, fee, other monetary payment, or health plan requirement may be imposed, directly or indirectly, on the Nonappropriated Fund Uniform Health Benefits Program of the Department of Defense or on a carrier or an underwriting or plan administration contractor of that program by any State, United States Territory, the District of Columbia, or the Commonwealth of Puerto Rico, or by any political subdivision or other non-Federal Government authority thereof. This prohibition shall apply to the same extent as the prohibition in section 8909(f) of title 5, United States Code, applies to the health insurance program authorized by chapter 89 of such title.

“(2) Paragraph (1) shall not be construed to exempt the Nonappropriated Fund Uniform Health Benefits Program of the Department of Defense or any carrier or underwriting or plan administration subcontractor of that program from the imposition, payment, or collection of a tax, fee, or other monetary payment on the net income or profit accruing to or realized by that program or by such carrier or underwriting or plan administration subcontractor from business conducted under this chapter, if that tax, fee, or payment is applicable to a broad range of business activity.”.

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**FISCAL YEAR 2005 NATIONAL DEFENSE AUTHORIZATION ACT—RESERVE COMPONENT HEALTHCARE: MEDICAL HOLDOVERS IN CURRENT AND FUTURE DEPLOYMENTS**

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
TOTAL FORCE SUBCOMMITTEE,  
*Washington, DC, Wednesday, January 21, 2004.*

The subcommittee met, pursuant to call, at 9:35 a.m. in room 2118, Rayburn House Office Building, Hon. John M. McHugh (chairman of the subcommittee) presiding.

**OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE**

Mr. MCHUGH. The hearing will come to order. Good morning. First of all I apologize we are running a little late. It is all my responsibility, and the 47,000 other drivers on the George Washington Parkway who don't know how to maneuver a car.

But let me welcome you today to this, our inaugural subcommittee get-together for the new session. And we appreciate your joining us.

Today the subcommittee meets to hear testimony regarding the treatment of reserve component soldiers and sailors who are receiving medical care and disability processing while in a medical holdover status. And I want to, as I said, welcome our witnesses and look forward to their testimony, certainly.

In October of last year, a series of news articles revealed that many mobilized reserve and national guard soldiers in medical holdover status felt the Army was not treating them as equals as to their active component counterparts. The articles described substandard living conditions at two Army posts in particular: Fort Stewart, Georgia, and Fort Knox, Kentucky. Many of the ill and injured soldiers interviewed at these posts reported having to wait for long periods of time, sometimes weeks and months, before receiving the medical care that they needed.

About the same time, the subcommittee received several reports from Naval reservists who experienced problems with the management of their health care while in a medical holdover status, especially when they are undergoing evaluations of fitness for duty.

The subcommittee began to closely examine matters related to reserve component participation in the Global War on Terrorism last year, with visits to deployed reservists in January, followed by a hearing in April. The key objective of that oversight effort hearing was to determine how well the total force policy was working



and whether the active, National Guard, and reserves were truly a seamless force.

What we found then was that there were rough edges, cracks, and gaps in those seams. We began to take steps to reduce or eliminate them. Since then, the total force has expanded its wartime commitment significantly. Today the total force has just begun the largest wartime deployment and redeployment of forces—more than 250,000 personnel—since World War II.

One result will be that the reserve components will comprise at least 40 percent of the forces deployed in Iraq. Even more relevant for today's hearing, that movement of forces will severely challenge military installations and support systems here in the United States. Therefore, we must continue to be vigilant in our efforts to assure a seamless total force.

One key to the total force concept is guaranteeing that all of our servicemen and -women receive equal consideration and treatment when moving through the military healthcare system. In my view, the Department of Defense (DOD) stumbled badly last fall in meeting that objective. While the subcommittee is encouraged by the Army's efforts since October 2003 to examine medical holdover problems across the country, the American public and Congress need to be assured that all issues have been fully recognized and solutions are being implemented. We simply can't afford to repeat the mistakes of the past.

Toward that end, the subcommittee has several objectives for today's hearing:

First, we would like to understand, especially from those witnesses with firsthand experience with the medical holdover challenges, What is or was the situation at ground level? What led to the problems? How are soldiers and sailors being treated today? And what are the lessons learned?

Second, we want to understand from a broader perspective what systemic problems the Army and Navy identified as a result of their review of medical holdover issues and how the services are planning to incorporate the lessons learned.

Third, we want to know specific measures the Army and Navy are implementing to assure appropriate medical disposition and living conditions for the medical holdover personnel not only in the next six months but also long term.

And, finally, we want to understand the impact new procedures and policies will have on current resourcing, and if there are legislative, policy, and resource changes that are necessary. As the subcommittee prepares the National Defense Authorization Act for the fiscal year 2005, these are important considerations.

Now, before I turn to the subcommittee's Ranking Member, Dr. Snyder, the gentleman from Arkansas, I would like to again thank all of the witnesses for their dedication they have shown in their various roles.

I especially want to acknowledge the service of those here today and others around the world who are serving in uniform, and, as the President noted last night, doing incredibly important work. And the Nation has given you and them very dangerous and difficult tasks and asked great sacrifices of them. And they are performing superbly. We are deeply indebted to them.

So with that, and those few words, I would be happy to yield to the Ranking Member, the gentleman from Arkansas, Dr. Snyder. [The prepared statement of Mr. McHugh can be found in the Appendix on page 63.]

**STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, RANKING MEMBER, TOTAL FORCE SUBCOMMITTEE**

Dr. SNYDER. Thank you, Mr. Chairman. And thank you for holding this hearing today. I hope that this is the first in a series of oversight hearings that we will be able to do this year on some of the challenges that are out there for our men and women in uniform.

To me, this is one of these challenges that you all are dealing with that is solvable. Hopefully you have made strides in the direction of getting it solved. As Mr. McHugh very eloquently described at the end, our interest is seeing that it is solved, but also are there things that we need to be doing in terms of any legislative changes that need to be made or in terms of the adequacy of your resources.

I know there is sometimes a tendency for men and women in uniform to say, yes, we have all of the resources we need. But that may not be helpful as we are heading into a new budget year to talk about any changes that we might make.

The final thing I would say, as we have described this hearing as being about our medical holdover personnel, and it seems to me that it is not just one problem, it is—there are two problems. You have the challenge of people who are activated; and then, as becomes clear before they ever go overseas, maybe within a few days or a few hours after arriving at their site, that they probably are not going to be able to go overseas in the condition they are in, and in fact may be heading—just need to be sent on back home to where they were and make it a very short activation.

And then the second challenge is people who have been overseas, but have either finished their tour, or because of a medical injury or wound are having medical problems prior to being demobilized. To me those seem, I would think, to be two different challenges, probably with different solutions. And I look forward to hearing any distinctions there.

I look forward to your testimony. Thank you all for being here.

Mr. MCHUGH. Thank the gentleman for his leadership.

[The prepared statement of Dr. Snyder can be found in the Appendix on page 65.]

Mr. MCHUGH. Would any other member of the subcommittee first like to make opening remarks? Mr. Cooper.

Mr. COOPER. I will be very brief. Thank the Chairman for calling this hearing. I think the best way for Members of Congress to praise the military is to actually help them in their living and working conditions. These are some of the most professional soldiers who have ever served in a force in world history. They deserve the best. And whether it is in working conditions or in healthcare conditions, I hope that the witnesses here today will be completely open with us so that we can best find out what needs improvement.

It is one thing to be tough and to try to tough it out, but we need to try to hear the truth so that our soldiers are well served. So please be open and honest, and we look forward to helping.

Mr. McHUGH. Thank the gentleman from Tennessee.

Any other opening comments by subcommittee members? We are also joined by the very respected member of the full committee, Mr. Taylor, Mr. Gene Taylor. Thank you for being here.

We have 10 witnesses on two panels today. And we would certainly like to give each, and we intend to give each witness the opportunity to present his or her testimony to the greatest extent possible, and thereafter provide the members a chance to question and have dialogue with those witnesses.

That being the case, I would respectfully ask that all of the witnesses do their best to try to highlight within a five minute range or so their testimony. We do have all of your written statements which will, without objection, be entered in their entirety in the record. I have had a chance to read them all. I hope my colleagues have as well.

And I found them very interesting. But sometimes congressional schedules make full consideration of all of those submissions in the context of the hearing a little difficult. So if you could to the best of your ability meet that request, I would appreciate it.

Let me welcome our first panel which has been seated. And I will introduce them according to the order in which they are listed here, which I hope coincides to something I suspect, from my right to your left, but we will see how that works out. The first two witnesses I know work out that way.

We have, first of all Mr. Steven Robinson, who is the Executive Director of the National Gulf War Resources Center, Incorporated. Next to him is seated Patricia Hicks. Ms. Patricia Hicks is Director of the Citizens Advocacy Center. Sergeant Craig LaChance, who is in Army National Guard Medical Holdover Company from Fort Stewart, Georgia. Colonel John M. Kidd, Garrison Commander, Third Infantry Division, Mechanized, at Fort Stewart, Georgia. And Colonel Keith Armstrong, Garrison Commander of Fort Knox, Kentucky.

So welcome to each and every one of you. And with that, let me say that I would hope, as we have in the past, we would not have to use—for the members's benefit—the five minute rule. So we are going to waive that, ladies—in anticipation of ladies and present gentlemen, but we may have to revert to it if we get too off the schedule.

So with that, let me defer to Mr. Robinson. Our attention is yours, sir. And thank you again for being here.

#### **STATEMENT OF STEVE ROBINSON, EXECUTIVE DIRECTOR, NATIONAL GULF WAR RESOURCE CENTER, INC.**

Mr. ROBINSON. Thank you, Mr. Chairman.

Mr. Chairman, there is no way I can orally detail 13 years of "lessons learned" failures from the first Gulf War that should have been implemented before this war in five minutes. So I request that the committee refer to my substantive comments in the testimony.



And I would like to, before I begin, say that these problems that we are going to discuss today are not the fault of the officers to my right. I additionally request that you spend some time after this hearing talking to the soldiers in attendance from Operation Iraqi Freedom. These soldiers are currently on medical hold at Walter Reed Army Medical Center. Each one of them has a unique war story to tell, not a war story about their service in Iraq, but a war story about their battle for treatment, care, and often fair compensation.

Many of the obstacles they have faced are directly linked to DOD health affairs policies. Four days after the start of Operation Iraqi Freedom, Assistant Secretary of Defense for Health Affairs, William Winkenwerder testified that predeployment screening was not necessary, even though it was required by law and a DOD health affairs policy issued on October 6, 1998.

Dr. Winkenwerder's leadership failed to prescreen thousands of deploying soldiers headed to Operation Iraqi Freedom. And, unbelievably, one month later, Dr. Winkenwerder reversed his position, announcing that screening was suddenly important and that DOD would enhance the postdeployment screening process.

This enhancement included more questions on a postdeployment form and some limited emphasis on Post Traumatic Stress Disorder (PTSD) screening. However, the policy reversal continues to ignore things that we may be doing to ourselves. Some of those things are gang vaccinations in the effort to get soldiers processed through quickly.

Another is the use of a drug called Larium. Another is the failure to identify and aggressively screen PTSD when soldiers are returning. All of these things combine to create a healthcare crisis, if left unattended. The policies listed below that I am going to talk about are the most serious failures that I think we need to address today.

Predeployment screening was not conducted prior to the deployment of reserve forces to the mobilization site as required by law. Had predeployment screening been conducted at the home station, guard and reserve soldiers would have been identified to have pre-existing conditions that would have prevented them from deployment, or they would have been identified as soldiers that might need to be processed out of the national guard and reserves.

This predeployment screening is critical because it gives a snapshot in time of the soldier's health that will be used after the deployment to determine if there are any service-connected injuries. Based on conservative estimates, as many as one-third of the citizen soldiers at one Army base were deployed to the mobilization site with service-disabling conditions.

And because of this fact, the garrison commanders to my right were suddenly overwhelmed with returning wounded and nondeployable soldiers. Many soldiers reported that their service-disabling conditions were downgraded by local unit commanders during the predeployment process. This act, in effect, ignores established medical diagnoses in order to send the soldier to Iraq. Congress should investigate the cost to U.S. taxpayers for sending nondeployable soldiers to the mobilization site.

Our recommendation is that predeployment screening must take place at the home station, prior to arriving at the mobilization site.

The national guard and reserve forces must not send forward anyone who is not fit and qualified to deploy. Soldiers with preexisting disabling conditions that prevent them from deployment should be rehabilitated, reclassified, left behind, or face the medical evaluation board.

The practice of downgrading medical profiles by unit commanders must cease immediately. Congress must address the physical readiness of the National Guard and the reserves, through TRICARE for the guard and reservists. And this will ensure that every member of the guard and reserves has adequate health care coverage.

While on medical hold, the Department of Defense is responsible to conduct postdeployment screening and mental health assessments. The postdeployment screening is designed to record the soldier's current injuries and determine if mental health counseling is necessary. This screening completes the deployment cycle, and the documentation may later be used as evidence for claims with the Department of Veterans Affairs (DVA). Failure of local commanders to ensure this process is completed accurately will harm soldiers down the road when they file Veterans Affairs (VA) claims.

Another part of the postdeployment screening is the mental health assessment. This committee should be fully aware that suicides are reported to be up in Iraq and some have been identified here at home. Just 10 days ago an Operation Iraqi Freedom soldier hung himself at Walter Reed Army Medical Center. Other reports of suicide have surfaced both overseas and in the States.

The National Gulf War Resource Center toured several military installations recently, and most soldiers we spoke with still report that they have received little to no counseling regarding traumatic events experienced during war.

Similarly, the medical commanders report saturation in their ability to care for psychological issues. The commanders are forced to outsource appointments and therapy to the DVA or civilian providers. There are shortages in qualified providers, beds, and command emphasis to treat those who need counseling most.

Nowhere is this apparent disregard for psychological injuries more apparent than in the case of Sergeant George Andrew Pogany, who was charged with cowardice. Nearly three months after returning from Iraq, he is just now being afforded psychological care. Our recommendation is that postdeployment screening and mental health assessments must be completed with 100 percent compliance. Aggressive mental health counseling and programs must be afforded to the returning soldiers. Congress must conduct oversight now to ensure the programs are implemented forcewide.

Soldiers also recommend that Veteran Service Officers (VSO) be allowed to go to these bases and talk to the troops and augment the existing programs. VSOs have had combat experience. They are certified in benefits preparation. They also provide a friendly shoulder, because they know what returning soldiers are going through. If DOD cannot aggressively meet the needs of medical hold soldiers, then they should enlist the help of those who stand ready to assist.

Larium use is a problem that we are significantly concerned about. And although many on the committee may think it is not a medical hold issue, we would like to bring it to your attention. Suicides are up at home and in Iraq. Psychological injuries are increasingly more prevalent in this war as compared to the 1991 Gulf War.

Recently a Marine Corps Second Lieutenant, Christopher Shay, committed suicide just days before returning home from the region. By all accounts, he was at the top of his class, deep selected for difficult missions, and a dedicated Marine. Lieutenant Shay took his own life after 12 requests for assistance in a 32-hour period. After his death, the family asked why such a talented young man would take his own life, and could Larium have played any role in their son's death.

The response from the military stated that the soldier was not issued Larium, and Larium could not be part of the problem. The family conducted their own civilian forensic investigation and found that this was not true. The point is the military is ignoring this drug's known side effects and in some cases not telling the truth to family members, as if they are baffled by the high suicide and depression rates.

The Pentagon has refused to consider the obvious side effects of Larium and what Larium produces in the combat scenario. Each one of these suicide events are investigated, according to Dr. Winkenwerder, but he does not see any trend in these cases that tells us there is more he might do.

Our recommendation is that this committee should ask the Department of Defense if the side effects of Larium were considered in the DOD suicide investigations both in Iraq and here in the United States. The National Gulf War Resource Center and the concerned parents would like to know why stateside suicides are not counted in the total number reported by DOD. Soldiers want to know if Larium is a factor in exacerbating PTSD. Either way, there appears to be a significant increase.

Lessons learned from the first Gulf War should make us hypervigilant as our soldiers return home, and this drug needs to be investigated. In medical holdover, active duty and guard and reserve soldiers are kept in medical hold while they await either medical care or medical disposition. The purpose is to treat the soldier so they might return to duty, assign them a profile, or discharge them from service after their conditions have been diagnosed.

The inspections of several sites have uncovered significant problems with the Army's mobilization system, and commanders from two of these sites will detail their command views in what they have done to correct the problem. I would like to focus briefly on what we think is important.

The military has already made great strides to take care of the insufficient housing, and the military knows that they must increase and upgrade housing at the different installations. The military recognizes that there is a shortage of doctors, and that when soldiers demobilize they are going to have to increase the number of doctors at each one of these facilities. The military recognizes that it needs to listen to its soldiers, and that usually when these



problems present themselves it starts at the bottom and soldiers try to get it to be handled at the lowest level. And when it is not handled, we end up having hearings like this one today.

Soldiers deployed with preexisting medical conditions now face Medical Evaluation Boards (MEB). In visits to military installations we encountered many soldiers who were sent to Iraq with service-disabling conditions because commanders downgraded their profiles. Many soldiers successfully completed combat operations in Iraq where these service-disabling conditions were exacerbated, and upon return to the United States and in the outprocessing phase, these soldiers reported their conditions and were told they were not service-connected because they were preexisting. Then, to add insult to injury, many were boarded out of the military for the same condition that should have prevented them from deploying in the first place.

Our recommendation is that local commanders must not have the ability to downgrade profiles for the purposes of deployment. The Government Accounting Office (GAO) needs to investigate this practice and determine the extent it has prevented soldiers from obtaining a true diagnosis and disability rating for the service-connected injuries they suffered while serving their country.

The bottom line: The problems faced Army-wide related to medical hold soldiers should never have happened in the first place. It is unclear what action, if any, would have been taken had the conditions not been exposed by reporters from UPI, the National Gulf War Resource Center, and then aggressively investigated by Senator Kip Bond and Patrick Leahy.

Educating military personnel about their rights and responsibilities, should they be placed on medical hold, will do much to alleviate the frustration and anger that are borne of uncertainty. Another key to preventing future situations like the ones at Fort Stewart is having enough medical and administrative resources to meet the needs of reserve and active duty personnel. The military needs to aggressively investigate and correct these deficiencies before they become major problems.

The Army response at Fort Stewart is to be applauded; however, crisis management should not be the norm when it comes to proper medical care and treatment of our war-wounded veterans. We can do better. We owe it to the soldiers. We owe it to the Nation. And if we fail, we jeopardize the concept of the all-volunteer force. The military and the government must uphold the sacred covenant made between soldier and country. Thank you.

Mr. MCHUGH. Thank you, sir. Appreciate your insights.

[The prepared statement of Mr. Robinson can be found in the Appendix on page 69.]

Mr. MCHUGH. Next, Ms. Patricia Hicks, Director of the Citizens Advocacy Center, Elmhurst, Illinois. Thank you for being here.

#### **STATEMENT OF PATRICIA D. HICKS, DIRECTOR, CITIZENS ADVOCACY CENTER**

Ms. HICKS. Thank you for giving me the opportunity to speak for the injured reservists that are on medical hold. As a director with the Citizen Advocacy Center, I help people basically open the doors to government. And I received phone calls and e-mails from a num-

ber of Navy reservists that were experiencing a lot of difficulties getting access to their medical care after they returned home with orders to demobilize.

I haven't collected data. I have no military experience. I am not affiliated with the military in any way. But what I have done is collect personal stories from reservists who feel that their trust has been betrayed, that they stepped up to the plate, they made the commitment to the military, but when they came home injured, the military didn't maintain their end of the bargain.

I have a number of stories to try and choose from, and I selected three. And I think they do a great job of illustrating the different problems that our reservists are facing upon demobilization. And I ask that you listen and consider the Department of Defense instruction that requires that they are to be held on active duty until they are fit for remobilization, until they are fit for active duty, and consider whether or not you believe that is happening.

Also, the military goal of a strategic, fit, fighting force so that they can be redeployed, and basic human common sense.

First, is Petty Officer Flores. He actually flew from California and is here in the audience today on his own expense, because he wanted to attend the hearings. I know that if you have time after we are finished talking, that he would be interested in sharing his story with you directly.

Petty Officer Flores was mobilized to southwest Asia, and seriously injured his knee while on a Navy patrol boat. He received orders to demobilize while—I should say, came home to demobilize when his orders were completed. And before he ever saw a doctor, he was told—an orthodontics surgeon—he was told that he was fit to demobilize. He also found that he was fending for himself. He had endured three surgeries in his active duty location and was receiving physical therapy three days per week. But upon his return back to the United States, his physical therapy stopped for over one month because there was no coordination of care provided as he changed geographical locations.

He was forced to make his own medical appointments and was calling the medical centers trying to schedule himself for the appointments and the doctor help that he needed. He was deemed fit for duty and ordered to demobilize before he ever received all of his test results.

When Petty Officer Flores disagreed with this decision and said that he would like to take the opportunity to discuss this with patient relations, he was told by a chief at the demobilization site that he would be demobilized immediately if he proceeded with complaining, and in fact 30 minutes later was told to report the next day for demobilization.

He was in fact demobilized, and was only remobilized after someone from patient relations intervened on his behalf. He felt that the attitude of the demobilization staff was that they treated the injured reservists with a lack of respect and rudeness, as if they were milking the system or they were in some way scammers, just trying to stay on active duty to maintain the benefits.

Petty Officer Flores believes that in retaliation, he has not been paid now by the Navy since November 25th, even after repeated requests as to why. The extreme stress and turmoil, he has now been

diagnosed with hypertension and is on blood pressure medicine, something which he never had to take before mobilization.

I also spoke with a chief hospital corpsman with over 25 years of military experience. He is a civilian trauma nurse. And he injured his wrist and severely injured his ankle while training with the Marines in preparation for deployment. He was found fit for demobilization, similar to Petty Officer Flores, without having his testing completed, so he had no final diagnosis.

Only after considerable insistence on his part was he granted an 11-day medical extension to review his test results. His orthopedic doctor reiterated the need for surgery and rehabilitation for his ankle. But after a discussion between an active duty doctor and a demobilization doctor, the chief's condition was now deemed not life threatening and was instead elective. And he was demobilized with no medical care plan in place, no appointments made for him at his home location.

Upon his return home, and still suffering from the injuries, he realized that the Navy was not going to take care of him in a timely manner. He has a wife. He has children. He has bills to pay. He needed to have an income. So he took a job as an emergency room nurse. But the only way that he can get through his shift is with taking significant amounts of pain medication and applying ice, which is just reaggravating his injury, and which will just delay his care time.

He still has no surgery scheduled. Six weeks ago he put in a request for his notice of eligibility, line of duty, to receive continuing medical treatment. It has yet to be approved. He still has no medical plan in place. The chief's Marine Corps unit has been notified that they will be mobilized to Iraq in the spring, but because the chief did not receive expeditious medical care, he won't be going with them.

I also spoke with a lieutenant commander with 20 years of experience in the military. He was a critical care nurse, and was part of a team called FRSS, the Forward Resuscitative Surgical System, is one of only a handful of people that is trained to perform these duties. He was traveling with the battlefield medical team on the front lines of combat during the march to Baghdad.

During the course of his combat work, he injured his knee and his shoulder. He was in constant pain, but he knew that there was no one that could take his place, so he stayed and completed his mission, again taking massive doses of pain medication, but still providing services. He returned home in October. And amazingly, before ever having any diagnostic testing or even seeing an orthopedic surgeon, he was deemed fit for demobilization and was going to be sent home.

He pleaded and protested, personally contacting doctors at Bureau of Medicine and Surgery (BUMED) to explain that he never had a test, he never saw a doctor, how can they determine that he is fit for duty. He was given a six week medical extension to get his testing done. On December 2nd he received his test results. He had a torn lateral meniscus requiring surgery, in addition to his other injuries.

He was shocked when on the same day, he received an e-mail from the reviewing doctor at BUMED stating, "Further medical ex-



tension is not indicated. Member is fit to separate, fit to be recalled to active duty.

An Active Duty doctor told him, you will never be going to Iraq in the condition you are in, but they are going to demobilize you anyway. And they were right. He, too, was demobilized before he had a final test result in place, before he had a medical care plan, and basically is now in a bureaucratic hell.

He is on his own. Because his incapacitation pay packet wasn't handled properly, he makes numerous phone calls to New Orleans and trips to the Reserve Center, all on his own expense, because this is not paid drill time, to figure out what is wrong with his paperwork. He has no income. He has a wife and he has children, and he has no money coming in because he has yet to receive incapacitation pay.

He left—he went home in October, he came back to the United States in October. His surgery was scheduled for yesterday. Last week when he went for his preop appointment with the doctor, the orthopedic surgeon said, "Oh, I didn't realize you really wanted the surgery. Well, I am not going to be able to provide it to you, you are going to have to go meet with another doctor." his surgery is now scheduled for March, at the end of March, and he has been home since October.

Here is a quote, as—I e-mailed some of these reservists and said I am thrilled by my opportunity to speak on their behalf. Is there anything that they would like to tell me about their experience to update me?

This is a quote from his e-mail. If they had only kept me on active duty to get the medical problems fixed, I would not be going through this turmoil that I and my family have endured. I have always been very patriotic and committed to my country and what it stands for. I will continue to support its endeavors, but these latest experiences are tasking my internal fortitude and faith.

These men and women that I have spoken with all knew the risks. They all knew that they might become injured, ill, or diseased while serving their country. They went anyway. And they went because they had faith in the Navy that when they came back and they needed medical care, it would be provided to them. And with the attitude of thank you, you are a hero for serving your country; not, you are making us feel like it is coming out of our pocketbook to pay for your medical care or that somehow this is their fault that they are injured, or being treated as if they are scammers trying to milk the system.

Just a few months ago these were men and women who were charged with lifesaving medical care to combat troops, given weapons, you know, trusted to maintain the security of United States facilities overseas; but somehow when they return back to a demobilization site, they are scammers trying to milk the system; they are malingerers who want to sit and watch television at a mobilization site.

These people served their country, and they deserve better. And in a sense the trust has been broken. They have no expeditious medical care. As one of them said to me, "Patty, if they would just keep me on active duty until I am fit for duty, give me the medical

care as soon as possible for as long as I need it, I would go back and do it again for them. I would go back to Iraq.”

I talked yesterday to a New York Fire Department fireman who was actually a 9/11 survivor, who was injured and survived, went to Iraq. He returned home in a body cast and was told he was fit for duty and he would begin the demobilization process. He basically said to them, okay, here is what we can do. You can demobilize me and send me back to New York, where I am going to go to the press and tell them that I am a 9/11 survivor fireman, and I came home in a body cast and the Navy told me that I was fit for duty.

All of a sudden he was granted his medical extension. But he has also been told he needs an eight-month recovery, and he has been told by doctors the Navy won't keep you an active Duty for eight months. So he too is saying, if I am off incapacitation, I cannot be a fireman. How am I going to earn an income? He has a wife and children. They have civilian employer issues, and they really have no one to help them.

These are people that don't know what the employers are required to provide in terms of accommodations and modifications. They don't know how to calm their employer's fear that if they re-aggravate or reinjure themselves after they return to work,—what are the legal rights or the legal requirements on the part of the employer? There is no coordination of care as they change geographical locations and they change their status from active duty to reserve.

They also feel that they have to beg for their health care. They would like an advocate or a case manager, and they can't find one. Petty Officer Flores called his Reserve Center commanding officer. He is a reservist who is temporarily on active duty. The Reserve Center commanding officer told him, I can't help you because you are active duty. Some of the people have called the reserve inspector general for the Navy, only to be told, “I can't help you, you are not a reservist, you are active duty.”

But actually these people are reservists. They are temporarily on active duty, but they left a reservist and they will return a reservist. They need an advocate, and it should be found through the reserve structure.

The Navy has admitted that they have problems and they have already implemented some procedures and are reviewing others. I participated in a phone call in San Diego with a working group. And the people that are involved in this, I believe, have a great attitude and recognize that there are problems that need to be looked at. But the overarching problem is to keep these people on active duty until they are truly fit for duty.

Give them the medical care they need for the length of time they need it. Do not send them home without appointments scheduled, without assistance to help them reunify with their families and their employers. So many of the problems you wouldn't have if they were just kept on active duty.

So what I am asking for is your oversight. As the Chairman mentioned, these are systemic problems, but they are solvable. They definitely are solvable. But I think the Navy needs some guidance and some oversight to truly complete this. Thank you.

Mr. McHUGH. Thank you very much. I appreciate your comments.

[The prepared statement of Ms. Hicks can be found in the Appendix on page 78.]

Mr. McHUGH. I should note as we go through this, obviously our first two witnesses have said some very interesting, very important things. And we want to come back to these and we will. But we want to continue along and provide all of the witnesses an opportunity to speak here.

Next is Sergeant Craig Allen LaChance, who is in Medical Holdover Company from Fort Stewart, Georgia. Sergeant, thank you so much for being here. We look forward to your testimony, sir.

**STATEMENT OF SGT. CRAIG ALLEN LACHANCE, ARMY NATIONAL GUARD MEDICAL HOLDOVER COMPANY, FORT STEWART, GEORGIA**

Sergeant LACHANCE. Thank you, Congressman. Congressman, McHugh and committee members, I would like to thank you for the opportunity to speak with you about the reserve component healthcare. It is an honor to be here today. I would like to take this opportunity to share my experiences with you during this deployment and my subsequent assignment to the Medical Hold Battalion at Fort Stewart.

When I left home for my activation, I would never have imagined that I would have ended up here today. I entered active duty military service in July of 1984. I was assigned to the 9th Infantry Division at Fort Lewis, Washington. I served there until 1987 when I reenlisted to become a military policeman.

My first duty as military policeman took me to a chemical weapons storage facility, where I served as site security non commissioned officer (NCO), sergeant of the guard, as senior custodial agent. I participated in the chemical weapons retrograde from Europe in a heavy physical security company as sergeant of the guard.

I was transferred to Fort Polk, Louisiana at the conclusion of the mission, where I served in a law enforcement role with the 5th Division until I left Active Duty in 1991. I enlisted in the Missouri National Guard in February of 2001 as a military policeman.

In August of 2001, I was employed by the State of Missouri in the Missouri military funeral honors program where I worked until the time of my activation. I was activated on the 1st of March of 2003 for duty in the Kosovo theater of operations.

My unit arrived at Fort Stewart on the 4th of March 2003 to begin our train-up for our mission. On the 22nd of May of 2003, I was doing physical training (PT) at the gymnasium on Fort Stewart with my team members when I fell off of the treadmill injuring my back and my right knee. I continued with the train-up and went to the Joint Readiness Training Center at Fort Polk, Louisiana.

My physical condition continued to deteriorate, but I wanted to complete my training. At the end of our training cycle I sought treatment at the Fort Polk hospital. I was referred to Fort Sam Houston, Texas by the physicians at Fort Polk for treatment, but



at the last minute was told that I had to return to Fort Stewart because my unit had mobilized from there.

I returned to Fort Stewart on the 6th of July of 2003. Upon my arrival I was assigned to the Medical Hold Battalion where I found the living conditions there to be substandard and nonconducive to soldiers recovering from injuries and illnesses.

As I began my treatment at the hospital, it became clear the reserve component soldiers were not being treated with the same care and concern that our active duty counterparts were. It took months to get appointments with orthopedics, neurology, and radiology. Finally, after the efforts of my physical therapist, I was able to get a surgery date, and surgery was performed on my right knee on the 29th of October 2003.

In the time that had lapsed after my return to Fort Stewart, I feel that we were denied proper medical care. We lived in deplorable conditions. We were stripped of our dignity and threatened and made to feel as if we had failed the Army.

Finally, out of desperation, soldiers, including myself, went to the media and to Congress for help. Changes were made that have in some cases helped our situation as far as living conditions and administration. However, there is still much that needs to be done.

To me it was unacceptable that it took having to use outside avenues to resolve issues that really should not have been allowed to reach the point that they had reached.

Even though we are not active duty, we are still soldiers with needs and families. Our injuries hurt just as badly as our counterparts'. We have answered our call to duty, sometimes at great sacrifice. I feel that we deserve equal consideration.

I would like to thank you for your time and concern, and I look forward to answering any questions you have.

Mr. McHUGH. Thank you very much. We appreciate your comments, Sergeant.

Next is Colonel John M. Kidd, Garrison Commander, Third Infantry Division, mechanized, Fort Stewart, Georgia. Thank you so much for being here, Colonel.

#### **STATEMENT OF COL. JOHN M. KIDD, GARRISON COMMANDER, THIRD INFANTRY DIVISION, MECHANIZED, FORT STEWART, GEORGIA**

Colonel KIDD. I won't make you repeat that again fast.

Congressman McHugh and distinguished members of the committee, it is a great opportunity to appear before you today to discuss mobilization holdovers at Fort Stewart and Hunter Army Air Field.

Our post is the Army's premier power projection platform on the United States' east coast. It is home to the 20,000 soldiers of the Army's Third Infantry Division who spearheaded the Army's advance into Baghdad during Operation Iraqi Freedom.

Hunter Army Air Field's 12,000-foot runway, the deployment center, and Fort Stewart's proximity to the ports of Charleston, Savannah and Jacksonville, combined with its 280,000 acres of training area and the barracks of the National Guard training area, make it one of the Army's busiest mobilization centers.

In the last 15 months, Fort Stewart has mobilized 23,000 National Guard and Army reserve soldiers. We currently have 5,300 mobilized soldiers on Fort Stewart preparing for deployment. Mobilization is a tough mission, and it taxes the resources of the installation.

Fort Stewart typically has a population of 15,500 servicemembers, and currently has a census of nearly 23,000. Hunter Army Air Field's population has risen from 4,800 to nearly 6,000 during the mobilization. The post also supports 32,000 family members and an additional 30,000 retirees. The sheer numbers of soldiers and volume of activities on our post requires the patience and cooperation of each and every resident in support of mobilization.

Of the 23,000 soldiers who mobilized at Fort Stewart, we currently have 684 soldiers assigned to the Mobilization Holding Battalion, Provisional, in a medical hold status. This status includes soldiers who are not medically qualified for deployment, soldiers who have returned from theater with illness or injury, and 15 soldiers who were wounded in action. All of these soldiers are receiving regular medical care and are billeted in a combination of the Third Infantry Division's barracks, local hotels, and the post guest house. A small number of the soldiers reside in the local area with their families.

Of the 684 medical hold soldiers, 282 did not medically qualify for deployment, and 402 returned from theater with illness or injury. Soldiers in medical hold require specialized administration and leadership which exceed that normally found in units of this size.

To accommodate this, we have established this Provisional Mobilization Holding Battalion made up of a cadre from the Third Infantry Division and the Fort Stewart Garrison, whose mission is to provide command and control over all reserve component soldiers in holding status, either medical or administrative, at Fort Stewart, Georgia and the Hunter Army Air Field, and work toward returning them to their parent unit or civilian life.

The intent is to provide caring, effective leadership to the soldiers of this battalion so that they may find their way through their medical and administrative process in a timely manner.

This organization receives 30 to 50 new medical holds per week, and releases a similar number, either returned to theater or released from active duty. In November, Wynn Army Hospital at Fort Stewart opened the Troop Medical Clinic No. 4 (TMC4) to provide specialized services to the medical holding battalion.

Staffed with physicians, case managers, and other healthcare professionals, TMC4 orchestrates the medical care and administration of this group of soldiers, ensuring that each soldier is assisted in treatment requirements.

Fort Stewart—and I think all of us here—is absolutely committed to taking care of our people. We always have, we always will. We are providing and will continue to provide all soldiers, regardless of component, the best health care available.

Fort Stewart will make every effort to ensure all soldiers are treated fairly and with the respect that they have earned for their service to the Nation.

Thank you.

Mr. MCHUGH. Thank you very much, Colonel.

[The prepared statement of Colonel Kidd can be found in the Appendix on page 83.]

Mr. MCHUGH. As we say, last but not least, the garrison commander from Fort Knox, Colonel Keith Armstrong, who I suspect will say that Fort Knox is the premier power and projection platform, to which I would say Fort Drum is the premier power and projection platform. But, a distinction without a difference. They are all very very important. And Colonel Armstrong, thank you so much for being here.

#### **STATEMENT OF COL. KEITH A. ARMSTRONG, GARRISON COMMANDER, FORT KNOX, KENTUCKY**

Colonel ARMSTRONG. Thank you, Mr. Chairman, members of the committee. Thank you for the opportunity to speak with you today concerning the medical holdover issue.

As the garrison commander at Fort Knox, Kentucky, I am proud to represent all of the armor and cavalymen from our great service, along with those of the United States Marine Corps who were trained at Fort Knox and who led offensive operations in Iraq as part of the Global War on Terror.

We believe Fort Knox played a major role in the success of Operations Iraqi Freedom, Enduring Freedom, and Noble Eagle. And we continue to support those operations by providing individual fillers and training teams to the theater, as well as continuing support to mobilization and demobilization missions.

To date, Fort Knox and the two mobilization stations we support—Fort McCoy, Wisconsin, and Camp Attaberry, Indiana—have mobilized well over 30,000 soldiers. Of that 30,000, slightly over 900 of those soldiers were placed in medical holdover status; no more than, on average, 450 at any one time. We firmly believe that all soldiers, family members, and retirees deserve equitable treatment, care that includes timely appointments, access to specialty care, billeting to standard and access to quality-of-life facilities and programs.

I believe we achieved that standard at Fort Knox, Kentucky. Granted, we had our growing pains. But we are resolved to maintaining the high standard of service, both in medical support and well-being programs that make Fort Knox one of the Army's premier installations. Sir, thank you.

Mr. MCHUGH. Thank you very much, Colonel.

[The prepared statement of Colonel Armstrong can be found in the Appendix on page 86.]

Mr. MCHUGH. I appreciate all of the witnesses' testimony and also your effort to be here today.

Let me—before we get to the questioning, let me just make a couple of very quick points based on some of the previous testimony.

Mr. Robinson mentioned Larium. Obviously that is a controversial issue. And he noted, technically correctly, that while this hearing is not focused necessarily on the issue of Larium and suicides, obviously the committee is concerned about that. And in the appro-



priate opportunity, we hope to—not hope, we will pursue that further.

I would note, however, back on May 14th of last year, I wrote the Secretary of Defense with respect to Larium, methaqualone, asked about that. We have got some responses and such. And we are going to make—2002. Lynn has just corrected me. We are so far ahead of the curve I didn't even realize it.

And we are concerned about that. And we are going to continue to look at it. And we have recently asked the services to do some data analysis on suicides. One suicide is one too many. But we have to take this in the historical perspective. We are looking forward to those numbers. But you raise very important points, and I don't want anyone to think that we are unconcerned about that.

The second comment I would make, with respect to Petty Officer Flores, and you make a very, very compelling presentation of his case, although his case unto itself, as I think you would agree, argues that some things have gone very, very wrong. We have made an inquiry as to the pay issue, I know. The inspector general is looking into that aspect and others of that.

Although I don't have an answer yet today, we have tried to weigh in on behalf of the petty officer in trying to ensure that for whatever wrongs have been inflicted in the past—and we appreciate his being here today at his own expense. That shows a great deal of concern. And it is my opinion he is not here for his own case, but rather for the cause that his case represents. We need to do a better job. So thank you for making those comments.

Let me just ask a couple of quick questions. And I would go to Ms. Hicks and Mr. Robinson first of all. Obviously, things went wrong in the past, and we can delve into discussions as to why that is—and we have been and we are going to continue—and the motivations as to why some of the very difficult things and unfortunate and unacceptable things that both of you have described have occurred.

But I will be very frank that my major concern, particularly as I look to, as I said, a 250,000 or so rotation coming up, is that we not repeat them. I am sure both of you are familiar with the steps that both the Navy, in Ms. Hicks' case, her major concern, and Mr. Robinson the Army, have taken new procedures as to handling these cases in a more timely manner. In the Army's case, after 25 days if you are unfit, sending you back, et cetera, et cetera, so you are not hanging in limbo, and the reallocation of resources.

How do you think we are poised and posed to handle the next wave? Do you think we are going to do a better job, a sufficient job? Any suggestions or concerns you have I think would be very helpful, not just to the subcommittee and the full committee, but to those officials who are primarily on the second panel that are going to be responsible for this next very significant, most significant since World War II—as you noted Mr. Robinson—deployment of forces.

We will go to the lady first as a matter of—and she defers to you.

Mr. ROBINSON. She deferred back to me.

I am extremely pleased at the immediate and urgent response the Army took, especially at Fort Stewart, sending doctors and dollars, adding additional doctors to take care of the backlog. And I

know the commanders to my right are committed to making sure that this problem is addressed as we face the next major rotation.

These problems presented themselves in the exact same manner in 1991. They are the exact same mistakes that were made in mobilization for the first Gulf War. Many of these same types of problems can be viewed by going to reports from 1991. And if you took out the date, it would read very eerily similar to today.

Although I am very pleased at the immediate response, I would like to hope that the military will remain hypervigilant, because the things they do for soldiers on medical hold and when soldiers are going through the medical process are the keystones for their ability to receive care and treatment from the Department of Veterans Affairs, which is a whole other topic that we haven't touched on. But if it is not done right here in demobilization, especially for the reserve and guard soldiers, the obstacles that they will face in obtaining health care from the VA are tremendous. So I want them to be hypervigilant.

They have taken some great positive steps. I will remain, as everyone here that follows the issue, vigilant to see that it is, in fact, enforced. It is a good step forward. I look forward to the next major rotation to make sure that it is actually implemented.

Mr. MCHUGH. To this point, you wouldn't say—I can see on the horizon they haven't done A, B, C or D. Theoretically, we are dealing off paper right now until it happens.

Mr. ROBINSON. I do see a problem, and that problem is the hypervigilance to look at the combat wounded, the psychologically wounded from this war. Soldiers at every installation we went to and the ones I am getting ready to go to are reporting they are not receiving adequate psychological care. We need to get the Department of Veterans Affairs combat Post Traumatic Stress experts into those med-hold facilities. We need extra doctors to talk to them. That is a concern of mine.

As far as the process goes, predeployment, during deployment, postdeployment screening, I believe the garrison commanders are doing a really good job at it. In fact, before the Fort Stewart story broke, some weren't having much success, as the GAO reported. Since the Fort Stewart story broke, many commanders reported 110 percent compliance, which means they actually oversampled and made the people fill out these forms.

Mr. MCHUGH. Ms. Hicks, how do you feel about the Navy's response as it affects the days and weeks ahead?

Ms. HICKS. It is not a quality of care issue. From what I have heard, the quality of medical care provided through the Navy is excellent. So that is not the question. Really, the question is the access, providing appropriate and timely access to the medical care.

The people that I spoke with that were involved in the working group in San Diego have a great attitude. I truly believe they want to help the reservists and that they are encouraging the reservists and anyone else to provide them information that can help them make their job better.

Personally, I think until the whole "fit for duty" is ironed out—I mean, there is a procedure in place that says you provide medical care until they are fit for duty. But some people are saying that

would be fit for reserve duty or fit for active duty without consideration for the civilian employer.

It is very complicated, and they have changed some procedures. They have changed some procedures where you can do some paperwork at the mobilization site before you go back home or have done some things where they will speed up the process, which is great. But until you fix the "fit for duty," you are still going to have problems. They are fixing some subproblems, but I think the over arching need is to keep them on active duty until they are fit for duty.

Mr. McHUGH. Can I ask you a question?

You are using the words "fit for duty." Do you mean fit for reserve duty or do you mean return to civilian employment? With all due respect, I don't know that it is that complicated. I just think it is not that well defined.

Ms. HICKS. It needs to be clearly defined so everyone is using it in the same way. I have been told by people that it is fit for your mobilization duty, which is what makes sense to me. With the goal of having a fit fighting force, you wouldn't want them to be able to be fit for their Reserve duty; you would want them to be fit for what they need to do when they are activated.

Second, they need a case manager, they need an advocate. As they are changing geographical locations and moving through different health care systems, they are on their own; and they are ill, injured or diseased, and usually not with their spouses, so they have to make difficult decisions without a lot of guidance, which is one reason they turn to me, which is very flattering to me, but is also of concern. They should be able to find the assistance within the Navy's structure.

The "fit for duty" definition, providing case management and advocacy—and what a number of reservists have noted is that there appears to be conflict in goals; active duty doctors want to provide the medical care, and in many cases have been strong advocates for the reservists that they are treating. But in many cases, after the active duty doctors have conversations with demobilization doctors, suddenly, again, injuries become minimized; and it is something that you can wait to do when you get home. I know one person made the comment that if an active duty doctor writes "should be maintained" or "should be held on active duty," that is just the reservist who manipulated the doctor into putting that into the record.

So I think three things: Clearly define "fit for duty" and keep them on active duty until they are truly fit to be remobilized, provide them with an advocate or a case manager within the existing Navy structure, and clarify that conflict in goals between active duty medicine and demobilization doctors.

Mr. McHUGH. Thank you very much. And I am going to ask our two garrison commanders a question and then defer to my colleagues and heed my own warning in trying to be somewhat brief.

Gentlemen, as Mr. Robinson noted on several occasions, very graciously, I don't think anybody suggests that a garrison commander faced with the enormous challenges that you and your predecessors were facing during this period are in any way to blame. Every garrison commander I have dealt with wants to do one thing and that



is, make it work, whatever it is at that particular moment, and it can be a lot of different things.

Having said that, I would be very interested in your responses, first of all, as to when you called out for help on this process, as at some point, I am sure you did. And how you felt the response was coming back with that extra help?

Second of all, as I asked our first two panelists, is there anything you think you may be lacking, any area of resource you may be concerned about with respect to the next wave that is cresting above our heads as we speak?

Colonel Kidd or Colonel Armstrong, I don't know who has seniority there.

Colonel ARMSTRONG. In response to your first question, we forecasted early on, and I believe I can speak for most of the garrison commanders involved in the mobilization process—we forecasted early on that there was a potential problem with handling not only the mobilization loads, but in the medical pieces as it relates to the mobilization load. We did not forecast the actual impact that that would have on our ability to execute operations. So I believe that was one of our stumbling blocks.

In the case of Fort Knox specifically—I am a power support platform, not a power projection platform, by definition—

Mr. MCHUGH. Thank you for defining that.

Colonel ARMSTRONG [continuing]. The power projection platform is designed to conduct unit level mobilization. The power support platform is designed to do training, basic expansion and the Continental United States (CONUS) replacement center operations, and to train individual mobilization augmentees as individual fillers to the units that are either in service in CONUS or overseas in theater.

As a result of the magnitude of the mobilization process, Fort Knox was designated then as a power projection platform that we have been fulfilling since very shortly after 9/11. So we were performing a mission above and beyond what we were really required to perform in our wartime status. As a result of that and as a result of AR 5-9, which is area responsibilities, I then am responsible for supporting two other mobilization stations—in this case, Fort McCoy, Wisconsin, and Camp Attaberry, Indiana—specifically with medical and dental support. And when you take a medical treatment facility and Dental Activity (DENTAC) operations at Fort Knox and have to then try to spend those medical assets and dental assets not only to cover Fort Knox, but Attaberry and McCoy, we were stretched extremely thin. And for a period of time, we struggled.

It didn't take us very long, though, for the Medical Command—and I know that the Surgeon General will address it more specifically—but the medical command and the United States Army Forces Command (FORSCOM) 1st Army surged to give us augmentation assets to handle the garrison support piece and to handle the medical support piece.

So, sir, I believe that the response to help initially was slow in coming, but once we identified what the real problem was, sir, I believe that we put the right people on the ground and we were able to handle the issue.

Sir, in response to your second question, can we handle the next wave? Absolutely. There is no doubt in my mind, sir, that with the lessons that we have learned now, the provisions that had been put in place by the Department of the Army (DOA), specifically in the medical arena, the medic commander at Fort Knox is ready to handle the medical hold and the second wave as far as Fort Knox's role in that, sir.

Mr. MCHUGH. Thank you very much.

Colonel Kidd.

Colonel KIDD. I took over command of the garrison at Fort Stewart in June, coming from the joint staff here. Pretty much as soon as I got there—and I might add that the hospital commander, Colonel Bartell actually arrived at the same time I did, and we actually looked at it in conjunction with Lieutenant General Inge—we recognized that we had some difficulty here, that there was a problem with the medical holds, first trying to get a good handle on how many we actually had and what their status was and where they were in the treatment, and what we were doing to either get them returned back home or back to duty.

As a result of that, I found that our numbers started climbing as we sort of shook the bushes a little bit and started finding more people. So I increased that from a captain leading that 300-man organization as it climbed to 500, and I established a provisional battalion. And I used the garrison support unit leadership part of that to manage that.

We started asking for things. The hospital commander started asking for additional resources. We also have to recognize where we were at Fort Stewart at that time. The first thing that we got back from the Third Infantry Division were folks that were released from theater because of illness or injury. That was the first people that came back.

Recognize also that our hospital had a situation where a large number of the care providers were deployed with the division or other assets in Iraq because of the combat mission there. So the post-capability to really provide care and treatment medically to a large number of people was greatly reduced during this period of time.

We started asking for additional assets.

I did get—I asked for resources. Looking at the billets early on, the billets that we have are well designed for short duration habitation and so that, roughly, 21-day mobilization cycle that we usually use, 21 to 25 days, they are adequate for that—not comfortable, but adequate—and they met the Army standard at the time, and the published standard that the Army had.

But recognize that is a long, hot summer at Fort Stewart, so we started looking at trying to make some improvements; and we were working block by block through those 8,300 billets over there to try and increase the quality of life there—things like buying new mattresses, which doesn't sound like much, but it was a good thing at the time; and adding air conditioning, climate control. And improving the latrine situation was something that we under took.

I asked for and received permission to reallocate some funds that were sent to us for one purpose to put it on this purpose, but of course that was taking a long time to happen.

I can't really answer on the medical side, because the—I think the sheer positivity of medical personnel and the commitment we have overseas probably retarded the effort to get us additional medical personnel; and the Surgeon General will address that a little better. Suffice to say, when the Third Infantry Division redeployed, now suddenly the census went way up on our post; and they had a little bit of a backlog coming from theater of illnesses and injuries that required attention. So again, Dr. Bartell asked for some assistance.

It was slow in coming. I discussed with General Inge the various options that we had for moving the soldiers to other posts to try and find other housing, but housing on our post became problematic. The Third Infantry Division came back at 118 percent strength. I had permanent party barracks for 4,834, and we had 6,000 Third Infantry Division soldiers living in that space. I actually had regular Army soldiers from the Third Infantry Division living in the National Guard area at the same place that Sergeant LaChance and his peers were. So it was a very difficult situation that we found ourselves in by the late summer.

Again, resourcing started trickling our way, but we couldn't make the changes fast enough. And I found that the chain of command I installed was not quite up to the task of leading these soldiers; and subsequently we had to make some changes there. We have a new chain of command in charge there.

There are still some additional resources that we need, and I know that the hospital commander has forwarded up a list of the treatment things he needs: Physicians, health care specialists and material that he needs up through the chain of command up through the Office of the Surgeon General. And so we still need some additional medical assets.

We are really kind of mission saturated in our little hospital. It is again a post designed for about 16,000, and we are way over that. And certainly when you have the medical holds, those are not just a population; that is 600-plus outpatients that have to be seen on a regular basis, so that it puts a good bit of stress on that.

I am concerned about pushing our dependents out because, you know, our post is mostly E-4s, young soldiers and families, and they can least afford to get pushed out on the economy. And I know that TRICARE helps with that, but it doesn't always quite get exactly where we need to go; and we are concerned, and I know my senior mission commander of the Third Infantry Division command is concerned about that.

Additionally, I know the Army is trying to help me with some semipermanent or some additional structures to house these soldiers, so that we can get them out of hotels back onto the post, closer to the treatment facility. Currently they are housed in three hotels over literally a 50-mile radius because we do live in a small town in a rural area in Georgia. So if the Army can come through with that—and I think we are getting closer on that. And then I am going to need some additional manpower to continue to manage this. And I am working closely with General Inge's staff.

So if all goes well and we don't get a large spike in the number of people that we have falling in this category, I think we are going to be all right here, sir.



Mr. MCHUGH. But you have got some resourcing requests in?

Colonel KIDD. Yes, sir.

Mr. MCHUGH. As you sit here today, do you have any concern—do you have concern—you may not get them. But do you have anything substantive that was suggested to you—have you been told “no”?

Colonel KIDD. No, sir.

Mr. MCHUGH. What about any in-progress work with respect to the displacement of your young families you spoke about?

Colonel KIDD. The hospital commander is working very hard to prevent that from happening. And I will say they are working additional hours and trying to hire some additional physicians. Especially, care is difficult because we are in a rural area, so we have to go all the way to Savannah for that. And we are trying to mitigate that transportation cost and that amount of hassle of having to go that distance for those families by providing transportation and other things. We are doing what we can with that.

Right now, no one has told us “no,” and I think we are going to get the resources that we asked for, sir.

Mr. MCHUGH. We may ask the second panel that. Thank you very much.

And I appreciate my colleague's patience. Ranking member, Dr. Snyder.

Dr. SNYDER. Colonel Kidd and Colonel Armstrong, I think I have gotten a little bit confused here in terms of the numbers and resources and things.

Colonel Armstrong, in your statement you stated that the vast majority of your medical hold overs are people who never deployed. In my little calculation and by your numbers, 41 percent of your people, Colonel Kidd, never deployed. So significant numbers of these people—of these folks were folks who were activated, came to your facility and perhaps very, very rapidly it was figured out by you that they were not going to go overseas, and put in a medical hold status.

Does not the 25-day rule—what has been the impact on your numbers of the 25-day rule because it has been in effect for several months now. I would think that your numbers are substantially smaller; tell me how that has impacted on those numbers.

Colonel ARMSTRONG. Your assessment is spot on. The 25-day rule has had a significant impact on our ability—in the number of soldiers that get referred to medical hold status since that policy has been implemented. Soldiers prior to the implementation of that policy came on active duty. Once they were activated and brought to the mobilization station, if they had a preexisting medical condition because of the screening process, they are put through at the mobilization stations, that medical condition was identified, it would prevent them from deploying, and they were put in the medical hold status. And the policy at the time was, we kept them on active duty until that medical treatment regimen had been completed or the board process had been completed to discharge them from service.

The vast majority of the population that I handled at Fort Knox or that I supervised through Fort Knox never deployed into thea-

ter. Those folks came with preexisting conditions. Since the inception of the new policy, the numbers have been cut significantly.

The future story, sir, is really the good story. I don't think we are going to have a significant problem in this coming rotation, nor do I think we will have a significant problem with future rotations as a result of the policy that has now been implemented: our ability to screen medically and then discharge those people as expeditiously as possible that have preexisting conditions.

Colonel KIDD. You are correct in your assessment. If you had asked in the midsummer, most of the people that I had had been soldiers that had come to us with a preexisting condition that prevented them from fully mobilizing. Currently, of our population, I have 162 of those soldiers that still fall into that category. The balance of those that we have either been able to make them fit or we have been able to put them through the MEB process and move them back to home station.

Dr. SNYDER. One hundred sixty-two people who have never deployed?

Colonel KIDD. Right, sir, that have never deployed. I have a total of 200 plus that did not deploy. The balance of those would be soldiers like Sergeant LaChance, who got injured in training.

Dr. SNYDER. Of the 162 how many are past 25 days?

Colonel KIDD. All of those.

Dr. SNYDER. Is the assessment—is there still an assessment process going on? Are you still making an assessment decision about whether they will at some point relatively soon be deployable?

Colonel KIDD. The 162 were folks that came to us prior to the 25-day rule, so they are holdovers from last spring. The 25-day rule has had a marked impact on our post. And I would also have to say that the premobilization screening that the guard and reserve are doing before they get to our mobilization station is certainly having a great effect. The soldiers we are seeing now are in a lot better physical shape than ones we had seen previously.

So the 25-day rule is helping us a lot. I have some that got in to us before that rule came into effect. The rule is not prior to that time.

Dr. SNYDER. Mr. Robinson made the comment that he thought there was a warm body phenomenon going on in the deployment, that units were activating people in order, to paraphrase, to meet a certain number coming down there; and were sending people down that they knew were not going to be deployable.

I assume the 25-day rule has taken care of that if that was going on.

Colonel KIDD. I think the 25-day rule—we screen them very hard when they get to Fort Stewart. So we are pretty good at screening that out, and that has helped. The unit commanders have the word now that they can't really bring anyone here that is not going to be able to make it through that screening. So right now, I think we have got a good situation on that. The unit commanders are being very good about bringing people they think are going to make it through the process.

Dr. SNYDER. Colonel Armstrong used the comment about equitable treatment of our guard and reserve forces and did not use the

term "equal" in that the best metaphor I know for the difference between what is equitable and what is equal is that we have had experience at the War Memorial Football Stadium in Little Rock. If you have 10 commodes in the men's room and 10 commodes in the women's room, that is equal. But the line outside the women's room will be horrifically long. If you have 20 commodes in the women's room and 10 in the men's room, that will be equitable and the lines will be about the same length.

And my point is, Ms. Hicks, the quality of care is good, but it is the procedural access of some of our guard and reserve forces, geography—and I think your point, Colonel Armstrong, you have to figure out a way to treat these people equitably, but they are going to be treated the same because the families are not with them. They have different facilities.

My question was—and maybe 25-day rule takes care of it—why can't more of this care be done in the home area? Is that something that you all—if people go home on leave, one of these folks on medical hold, is that what you are struggling with right now?

Colonel ARMSTRONG. First, let me say, being a graduate of a great institute in Texas, we must build our stadiums a little bit differently.

Sir, we are now pursuing options of, if it is conducive to send somebody home and they can get, specifically, recovery treatment plans for a knee surgery in the local area, then we are pursuing those options. I honestly believe, sir, some of the medical specifics are more appropriately addressed by the Surgeon General.

But, sir, across the border, we are looking at every opportunity, from a garrison perspective, in coordination with the medical treatment facility commander, at facilitating equitable medical care; and if you give me just a moment—by "equitable medical care," what we did is, as a result of the med-hold population growing, we reestablished priorities within our medical treatment facility so that specifically for high-demand, low-density specialties in the hospital, the med-hold folks took priority over everyone else. Medical hold personnel took priority over active duty, took priority over my own child who has a pediatric endocrinology requirement.

So we reprioritized that work effort within our medical treatment facility specifically to try and focus on what I consider equitable medical care, timely medical care, availability of appointments within the constraints, and availability of the doctors in the medical treatment facility and in the local area.

I know the Surgeon General will address your question more specifically.

Dr. SNYDER. Thank you, Mr. Chairman.

Mr. MCHUGH. Thank the ranking member.

The vice chairman of the committee, the gentleman from Oklahoma, Mr. Cole.

Mr. COLE. Thank you very much Mr. Chairman. It is tough to follow an Arkansas politician. They have a way of expressing themselves clearly.

I was struck by the same point that Dr. Snyder was struck by in terms of what goes on in the mobilization process, that the guard and reserve units—and particularly to you, Mr. Robinson and Ms. Hicks. I have been told there are instances where—unoffi-



cially, of course—essentially guard commanders and reserve commanders are given numbers that they need to meet.

How common do you find that in your discussions and how big a problem is that in terms of forwarding of people that shouldn't be forwarded?

Mr. ROBINSON. I believe Colonel Kidd assessed that. I think that the problem is going to halt immediately. But it appears, by talking to the soldiers themselves who knew they had preexisting conditions and knew they should not have deployed, that the practice was in fact to deploy from home station 100 percent of the unit and let the mobilization site sort it out.

Part of this problem may have occurred because at the time, national guard and reserve soldiers did not have routine access to health care, dental care. And so it was viewed as an opportunity to go to these places, get mobilized, get my fillings fixed, get my teeth yanked out, get my knee looked at. It was an opportunity.

I think Congress is going to address that issue with TRICARE for national guard and reserve soldiers.

Mr. COLE. You are comfortable that this is a problem—without holding you to it, you feel a lot better about it than a year ago?

Mr. ROBINSON. As the chairman stated, the wave is above us and we are going to have to wait and see what happens. I can confidently say that people I have talked to in Congress and veteran advocacy groups and others, concerned citizens, are going to watchdog this issue and make sure it gets fixed.

Mr. COLE. Sergeant LaChance, if I may, I was struck in your comments by the fact, frankly, that you felt the need to go outside the normal system to bring attention; and we are glad you did and your colleagues did. But can you tell us the things you did before you went outside the system that necessitated you to do that? Was it an attitude problem, a structure problem? Was there not enough regular contact in your situation by folks in a position of authority to do things?

Sergeant LACHANCE. Sir, it was my experience when I got there that the hospital, the commanders in the medical hold, were really overwhelmed. When you try to discuss—there were issues that needed to be taken care of. The old chain of command did not foster an environment, in my opinion, to where you could go and address issues and different things like that.

There were a lot of hard feelings. The soldiers in the unit felt that there was a lack of integrity from the chain of command that was in place at the time. And when you have that break down, your unit is ineffective.

We have seen things that—I have most of my experience on active duty. I spent three times the amount of time on active duty than I spent in the National Guard. And some of the things—this is my first deployment with the National Guard. Some of the things that I have seen weren't necessarily the problem of the command that was in place at Fort Stewart at the time.

You were just talking about the 25-day rule. Well, prior to that existing, what I witnessed, personally witnessed, I seen the commander take people who had absolutely no business being deployed, none. I seen a break down in local commanders not enforcing basic Army standards, not requiring physical fitness tests—

things were swept under. People simply were not fit for military service. Someone like myself and the majority of the people who were down in that medical hold who took the time to do their physical training (PT) requirements and do their height and weight requirements, we were backlogged behind people who basically hadn't. It was frustrating.

When I came to Fort Stewart, I was under the impression that I would get a quick fix and I would be back with my unit, and it simply didn't work out. Now since the new chain of command has come in, people are more comfortable going to discuss things with the 1st Sergeant, to discuss things with the company commander. There is more a feeling of confidence.

There are people who have come into our medical hold after November that would not have recognized our medical hold when I got there in July. They would have thought it was two completely different organizations. There has been a lot of progress.

Unfortunately, people like me who were there prior to the changes, were, I guess, stuck. We have been there a long time and basically, we had to start over again when the new chain of command came in. I was told that I have a medical board coming. I will be there another four, five months. But that is the reason we went outside. There wasn't a sense of confidence in the leadership or a sense of urgency from the hospital.

It is not just from the medical hold; it is also from the hospital. There just wasn't a sense that they were concerned about addressing our issues.

Mr. COLE. Thank you.

Mr. Chairman, I know my time is up. I want to tell you, Colonel Kidd, I have not been on this committee for a long time, but the time I have been here—and I appreciate hearing very much somebody candid enough to tell us we had a structure in place that didn't work and frankly, I had personnel and I needed to go change them. And I appreciate you being as honest and open with that. That was helpful. And more importantly, thank you for fixing the problem.

I have a lot of reserve and guard units in my State that are mobilized, and it helps to know that there are people that care about how they are treated and what is going to happen to them along with other soldiers.

Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the distinguished vice chairman.

And let me associate myself with Mr. Cole's comments, and I am confident his words reflect all of our feelings with respect to the sense of appreciation we have for what you have done, particularly as it reflects to your fellow servicemen and women. And thank you for being here today as well.

I am happy to yield to the gentleman from Georgia, Dr. Gingrey.

Dr. GINGREY. Thank you, Mr. Chairman. And I will address this question really to anybody on the panel—maybe everybody on the panel. I think Mr. Robinson mentioned, of course, guard and reservists hopefully will have access to TRICARE if they don't already have adequate health insurance available to them through their employer.

But having that coverage and having access doesn't necessarily mean that any member of a guard or reserve unit would voluntarily go and take advantage of that. They might not know that they have high blood pressure. They might not know they have the first stage of diabetes. They might not know they have a shoulder that is going to go out on them. They are young, and so they don't take advantage of the fact that they have adequate financial where with all and access.

It would seem to me that we could maybe alleviate a lot of this problem, whether it is deliberately stacking the deck so that a reserve commander meets a quota—that expression was used—or whether they send these troops, because they don't have any idea nor does the individual reservist or guardsperson know that they have a health problem.

Why don't we—why isn't there some consideration to just saying every member of the guard and reserve should be physically examined, and it should be mandatorily done on a regular basis? Because, after all, you are educating them, you are training them, you are equipping them and not paying attention to their physical well-being and readiness for that activation when that occurs.

I am a physician and Member of the Congress, and it would seem to me that that would be a very good bang for the buck.

Mr. ROBINSON. On March 25, Dr. Winkenwerder testified that physical screenings and hands-on physicals were useless. He said that they revealed in the general population, the healthy warrior population, little beneficial information. And I think this is an example where he may be factually wrong. The cost savings that we would incur from this example of having screened people with the hands-on physical versus deploying them to Fort Stewart, tapping the power protection platform's capabilities, would have been much greater if we had just screened them first, I am positive.

So it is, I think, in my opinion, something that we need to address with the Department of Defense health affairs policy. They seem to believe that prescreening and hands-on physicals serve no purpose.

Dr. GINGREY. Let me interrupt you for a minute, because I do think they serve a purpose, and let me give you an example. High school athletes, certainly in Georgia, are required to have a physical before they can participate in an extracurricular activity including cheerleading. And in many of these instances, these so-called physical screenings that are done are perfunctory and not worth anything because there is not enough—it is just not adequate. It is a very brief screening. And every now and then one of these athletes that have gone through one of these physicals will drop dead on a basketball court, and then you find out they had a congenital heart problem and they had one of these physicals saying they were fit to play.

The problem is, it has got to be a physical that makes sense, that really tests the things that need to be tested.

I would disagree with the doctor in that regard. If you do it right, it is worth a heck of a lot.

Ms. HICKS. From the Navy perspective, the military medical support office recommends that they do physicals prior to mobilizing the troops. And from my understanding, what they do right now is,



they do a review of their medical records, but if you have a physical on file that is at least—no more than five years old, you don't have a physical before you are actually deployed. And one of the problems, as you mentioned, is that first you probably should have a physical that isn't just perfunctory, but it is considering what you are going to do for the military while you are on active duty.

But I have spoken with some people where the problem later is that they aggravate an injury or reinjure themselves, or the condition reoccurs while on active duty and then they are told it is pre-existing and they are not entitled to treatment. And my personal opinion is, if it was documented with full disclosure on the part of the military member, and it was in the health record, and you took them and put them on active duty anyway, you just accepted the liability to provide the health care they need if the injury, illness or disease reoccurs basically if they are on your watch.

Mr. ROBINSON. Sir, there is a public law, Public Law 105-85, Section 760 through 767, that was written specifically because of the lessons learned from the first Gulf War. And in that law there is a requirement that says that the Department of Defense must conduct predeployment screenings to include hands-on physicals. And with the debate that has occurred over three different congressional hearings and several GAO investigations, is a medical definition of what is "screening." In fact, Dr. Winkenwerder said, "what is a physical?" Is it an actual inspection where you put your hands on somebody or is it screening a medical record?

So that is a debate I think Congress could define by changing the law and saying you must do this.

Dr. GINGREY. Maybe Dr. Snyder and I can work on that because I think it needs to be well defined.

Other panelists in regard to this?

Colonel KIDD. Sir, I would say anything we can do to improve the health and fitness of soldiers that were mobilized would be a good thing. We are currently seeing, as I said earlier, though, I think that a lot of the physicals and screenings are actually taking place now back at home station before these units get here, because just looking at the numbers of people that we are turning back under the 25-day rule is much reduced from this time last year.

Now, I know that if we could resource the guard and reserve to do physicals, they would do them more frequently, and I think that would be helpful. And anything we can do to try and improve their health or fitness, I think we ought to try to do that, because we really can't go to the fight without these folks. We don't want to lose a single member of the guard and reserve because we need every last one of them for the fight.

Dr. GINGREY. Colonel Kidd, what I am suggesting, though, the predeployment physical, even if it is done at home, you know, there is not enough time. And of course you are coming to the realization that a soldier needs dental care or eye care or other health care. And, you know, you spend a lot of money, maybe over several years annually and monthly, training that soldier and having him or her ready, but really, they are not ready.

In addition to that predeployment screening which could be expected to be more thorough, but I am talking about on an annual—I mean this business of, well, you had a physical five years ago, I

don't think it is adequate. I think it ought to be done on a more regular basis for the guard and reserve.

Colonel KIDD. Yes, sir. And I think we have to establish what the right interval is. I don't get a physical every year in the regular Army, but I get looked at more frequently than a guardsman or a reservist would.

Dr. GINGREY. Mr. Chairman, I have used all of my time, but the point is, there should be no difference in how often you are looked at and how often a member of the guard or reserve is looked at.

Mr. McHUGH. I thank the gentleman. And I apologize to him, because I did not refer to his particularly important credential here as a physician; and we deeply appreciate, as we do the ranking member, their particular expertise.

And I would also say, just to under score the point, this is obviously the health screening pre- and postdeployment, an area of major concern to this subcommittee. A parochial concern of mine when the GAO found with respect to Operation Enduring Freedom, when Fort Drumm in my area—did I mention that is a premier power projection platform—that a huge percentage of those screenings were not conducted. And the anecdotal information we are getting back with respect to Operation Iraqi Freedom is that a much better job is being done. We hope that is true.

I see one of the key staff people from the Veterans Affairs' Committee, Chairman Smith; and Chairman Hunter of the full committee, with our full support, has asked for follow-up study on that. And it makes sense. And Ms. Hicks suggested very correctly, it only makes sense for the military because if you don't lay down a baseline as to what the particular soldier, sailor, airman or Marine is afflicted with, going in, you are assuming a whole lot of risk and expense.

So it makes good sense a cross the border, and we hope that GAO will address that issue more effectively in the future.

With that, I will be happy to yield to the gentleman from Virginia, Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman. I am not sure I have a lot to add to what I heard you folks testify and what the two doctors have talked about.

I have been sitting here—you know, we talk about "fit for active duty." Is that the same for reserves and guard?

I see people shaking their heads, but I really wonder if that is the case. And maybe I am going to be a bit cynical here, but maybe the root of this comes from the attitude of the active duty forces toward the reserves. And I have good reason to say that because I was one of those when I was an active duty career Naval officer, who thought the active duty people were probably less than we were; and I am not proud to admit that and I was wrong. I have a son who is a reserve, and a chief of staff who is a reserve, so I look at that totally differently now. And I am wondering if that factors into that somehow.

I keep looking at the sergeant here—and he was active duty for awhile—and wondered, when you were active duty if you had experience with medical. Was it the same as you have now as a reservist?

Sergeant LACHANCE. When I was on active duty, I really only had one significant medical problem. I had a blood vessel turn loose in my head, and I was treated at Landstuhl Army Hospital. And any stories you hear about the quality of care coming out of Landstuhl, Germany, I can testify are true. It is a phenomenal facility.

That is really the only experience I had on active duty with any kind of medical other than just routine.

Mr. SCHROCK. As an active duty person you were seen promptly and regularly, but as a reservist, you were not?

Sergeant LACHANCE. I don't feel I was.

Mr. SCHROCK. That is what I am saying. The difference between the way we treat our active duty people and the way we treat our reservists, I still don't think is the same. And I appreciate what Sergeant LaChance has said.

Sergeant LACHANCE. When I was on active duty you hear the weekend warriors and the this and that, there is a different perception of National Guardsmen and reservists than there is active duty soldiers. Having been on both sides of the house, I can see that. And, yes, I feel there is a time when it seems convenient for them to call us active duty and there is a time when it is convenient for them to call us National Guard.

You need to distinguish: Am I an activated National Guard man or am I on active duty? That needs to be established. Am I an active duty soldier sitting in front of you right now or am a deployed National Guardsman?

Mr. SCHROCK. When the balloon goes up, they expect you to be as proficient as the active duty guys with the same equipment that you don't have and physically the same way, and that is just not the case. I think that probably is where a lot of these problems come from.

And I appreciate where Colonel Kidd was coming from. He said we are now just determining what the hospital needs would be at your particular post. And I think just now—this is the 21st of January, 2004; the first Gulf War was 1991. Why did we wait so long? Seems like we haven't learned the lessons of the past. But are we going to learn from this experience?

A couple of questions: I heard Ms. Hicks say, Petty Officer Flores hasn't been paid. Why? The chief hasn't been taken care of. Why? The Lieutenant Commander with the shoulder and knee problems was never seen by a doctor. Why? The 9/11 survivor in a body cast. I'm going to ask the next panel that, so be prepared. I just don't understand that.

I was in Iraq. I was with the first delegation that went into Iraq after Saddam fell. The thing that haunts me to this day was that the Baghdad airport in a little building which was a medical shack, there were so many sick kids, I couldn't believe it, many of them walking around with IVs in their arms; and I was bothered by that. Maybe they went over there totally fit. Maybe the conditions there and the heat and every other circumstance there caused that. But then I think, well, based on the testimony we hear here, did we send them sick in the first place? And if we did, shame on us.

So this is something we have to get our hands around because this isn't going away anytime soon.



I would like to think that the war on terror is going to die tonight at midnight. It is not. It is going to go on for decades probably, and we are going to be counting on our reserves and our guard more than ever before.

When I was there, they were seamless. Those young men and women, you could not tell the active duty from the reserve and the guard because they were all doing the same thing. And we have to make sure that they, the reserve and the guard, have the same good equipment as the active duty have, and the same medical care, or else we are going to be having these hearings more and more and more.

Ms. HICKS. If I could interject, Mr. Schrock. You are right about the active duty medical care versus the reserves. Part of it is procedural—basically the fork in the road that you go down. If you are active duty and you have a severe injury to your shoulder or to your knee and you need some surgery, you get the surgery at the base that your family is at. You go back home and you are located near your family and children. But even more than that, you don't have to worry about your employer because your employer happens to be your health care provider. So they provide the accommodations.

When you are on active duty, if you need eight months to rehabilitate because you had a type five rupture of your shoulder, you have eight months to rehabilitate and do light duty. Nobody looks at you like you are a scammer or you are milking the system. And you don't have the concerns of trying to go to your employer and explain the accommodations and modifications.

When you are a reservist, it is quite the opposite.

So there are significant differences, that fork in the road in terms of, pretty much, your employer issue.

Colonel ARMSTRONG. If I could, I would like to address one issue. I would like to give you a good news story. Again, as a power support platform, I am not authorized a Garrison Support Unit (GSU). So I had to overcome that, and General Inge helped me do that by activating a National Guard unit out of Ohio, 737th Quartermaster out of the Ohio National Guard.

Sir, I would give anything, anything at all right now to be able to keep that unit on active duty assigned to my command to execute the mission that they were executing. That unit came in—specialty is to fix heavy equipment, and they came in to operate and run an organization that they had no concept on how to do it. They were the most professional group, battalion headquartered staff that I have experienced in a long time. You could not tell there they were National Guard. There was no differentiation made between the National Guard and active components. They were soldiers and they executed their mission to standard.

Every single one of them would have rather been in the sandbox doing what they get paid to do in theater, but, sir, they didn't. They were mobilized, activated and came to Fort Knox and sent like everybody else to do their wartime mission. These guys were great, sir.

Mr. SCHROCK. In my own case, I am sorry it took me coming here to the Hill to really understand and appreciate the role of the guard and the reserves. I should have understood that when I was

active duty, but I didn't. But I certainly do now, and I am one of the biggest advocates for those folks now.

Thank you, Mr. Chairman.

Mr. MCHUGH. Thank the gentleman from Virginia.

And I would note to Colonel Armstrong, it is kind of like you have been frocked. You are a power support platform, but—you have been designated a power projection platform, but you haven't gotten the resources to be a power projection platform; is that correct? I understand you have been very creative down there, and we all compliment you for that.

Colonel ARMSTRONG. Technically, you are correct.

Mr. MCHUGH. And we are going to raise that with the second panel, I assure that.

With that, I will be happy to yield to the gentlelady from Guam, Ms. Bordallo.

Ms. BORDALLO. Thank you, Mr. Chairman.

Let me say at the onset that I have joined many of my colleagues on this panel in a letter to Secretary Rumsfeld, urging that this issue before us today be addressed. And I am pleased that there has been response by the Army.

I am curious, and I would like to perhaps address this to Sergeant LaChance, whether the Army is now ready for the next surge of Army medical holdovers? And we do know that right now we are deploying many, many more reservists and National Guardsmen than we did at the beginning of the war in Iraq. What kind of impact would likely result if the current number of troops in this status increased above 5,000? What kind of a situation are we going to be in?

Sergeant LACHANCE. From my experience—I spent a lot of time around the mobilization complex itself and the demobilization—it is basically in the same. I am impressed with the way they bring units in and they bring units out. I have seen units come home from overseas and their unit be demobilized in five to seven days, and that is an impressive number for me. I am impressed that they can bring a unit in and get them out that fast.

The only concern I would see about numbers is a billeting issue. Are the billeting facilities—and as Colonel Kidd said, the billets that we are using for train-up or two-to-three-week Advanced Training (AT) or whatever, they are more than adequate. Long-term, no, they are not adequate.

But the concern I would have again, it is a huge post at Fort Stewart. As far as the shortage of training areas and resources and things like that, I don't see that as a problem if the billeting space is available.

I don't know the exact numbers that Colonel Kidd can house in the building over there, so I wouldn't comment on that. But as far as the organization of getting people in and out of there, I am very impressed.

Ms. BORDALLO. What I have heard from many of the witnesses here, you know, they have been kept there for months, not seen in a timely—I am talking about the medical holdovers now. If this number increases, are we going to be able—is the process going to be better or worse, or are we going to have to assist you in some way in getting more personnel there, more medical professionals?

Sergeant LACHANCE. From what I have seen and in discussions from the doctors that have treated me, of course, they could always use more doctors and use more physical therapists. I see waiting times for MRIs. They have switched to doing MRIs 24 hours a day, seven days a week at Fort Stewart. Prior to the initial things, I waited, I believe 2 ½ months for an MRI.

When it was recommended that I have another MRI on my back, the waiting time was, I want to say three weeks; and what was strange about it to me was that the appointment was at midnight. At first I thought it was a typographical error. Surely they are not going to give me a doctor's appointment at midnight, but that was the case. People who are coming into medical hold now would not recognize the organization that was here.

Ms. BORDALLO. So you think, though, that we will be able to handle the numbers?

Sergeant LACHANCE. Yes. Administratively there are still challenges. Like I said, I will be waiting in MEB when I come back, return back to Ft. Stewart.

I have been told it takes anywhere from four to six months to get an MEB done. And my question to you, ma'am, is: Colonel Kidd is my garrison commander. What good am I to Colonel Kidd as a soldier right now when it has been determined that I can't return to duty? What is the purpose for Colonel Kidd having to deal with me for the next four to six months?

I am of no value to this man, none. I am of no value to the Army. Other—my unit, I am of no value to them. I am in a vacuum, so to speak. I am taking up time that other people could be putting to better use.

Ms. BORDALLO. Thank you very much.

I have another question, Mr. Chairman, for Mr. Robinson.

Could you give us an insight into the mental health of returning troops kept in the MHO, the medical holdover status, for months, and whether these conditions that they found themselves in at Fort Stewart may have contributed to postoperations depression and stress?

I have an article here in front of me that the Army suicide rate tops recent averages. And I am just wondering, what is the mental state of these soldiers?

Mr. ROBINSON. Well, the soldiers that we met at Fort Stewart, Fort Knox, Fort Campbell and other installations that we have been to, many on medical hold, expressed concern that the local hospitals could not provide them counselors for concerns they had related to their combat experiences.

But also, in particular, at Fort Stewart, the conditions that previously existed and have now been addressed may have exacerbated in some cases the feeling that soldiers had, which was expressed by the sergeant, that maybe you don't care about me and my wartime experience. We are concerned about the psychological care of these returning soldiers, the war-wounded soldiers especially.

And we are suggesting to the committee, and I have had high-level meetings with the DVA, that they augment the mobilization and demobilization sites with mobile training teams, packs of psychologists and psychologists to go into these facilities and just



make sure that the soldiers are afforded the proper mental health care screening and the proper counseling that is required.

You know, Colonel Kidd is, as he stated, a power projection platform. He has got a hospital that is meeting significant demands. The additional problem of people that may require post-traumatic stress disorder counseling or counseling of any form is an additional burden that he may not have the resources for.

So we need to be proactive rather than reactive and, you know, hold hearings five or six years down the road talking about what we should have done when we found out that soldiers were having high rates of PTSD and suicide.

Ms. BORDALLO. Thank you. Thank you very much.

Dr. GINGREY [presiding]. Thank the gentlelady from Guam.

And now last, but certainly not least, I want to recognize the gentlelady from California, one of my colleagues who just got back from Iraq. And the gentlelady from California is recognized. Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman.

Well, I have a lot of questions, but I would like to start by thanking all of you for coming before us, in particular.

Sergeant LaChance, I have a question for you because I gather that you were active and now you are reserve. And you have seen medical—the medical system from both ends, and you have also had enough time now, I think, to be sitting there trying to figure out how you are going to get out of this void or vacuum, as you called it.

What are you hearing from the people who are standing in line or trying to get through or sitting in the chair next to you? What are the common problems that you are hearing with respect to National Guardsmen and reservists and their access to the system? Is it a problem with primary care? Just being seen? Is it a problem with getting specialists? Is it a problem with special tests? Is it the waiting time? Is it the lack of concern for them?

What is—what is it that you think we need to fix?

Sergeant LACHANCE. From my experience, ma'am, I had to see a neurologist and an orthopedic surgeon both. And, I required a lot of radiology work. MRI, I had two MRIs done on my back, and I had two MRIs done on my knee.

Since the opening of TMC4, as Colonel Kidd had said, the waiting for primary care has gone—when I first arrived at Fort Stewart, we went to an internal medicine clinic inside of the hospital. And we would wait—we would get there at seven, eight in the morning, put our names on the list. Stay there until 4 or 4:30, sometimes without being seen at all.

Now, since TMC4 has opened up, I have had limited dealing with TMC4, because at the point when TMC4 opened, I had already been referred to a surgeon. So I have had limited—

Ms. SANCHEZ. Well, let me stop you there a minute. When you went in at seven in the morning, you waited until 4 or 4:30, maybe weren't seen, was that kind of like waiting in a jury room, in a certain sense?

What happened with the actives? Were they waiting alongside you, or do they have a different system? Do they get to make an appointment?

Sergeant LACHANCE. There was times, ma'am, when we were told that the National Guard would be seen at the end of the day. We weren't allowed to have scheduled appointments.

When I first went to get my MRI done on my knee at Fort Stewart, I was told that there would be no more—this is from the radiology clinic. I was told that there would be no more National Guard appointments conducted until November, which I immediately went and informed my chain of command over at the medical hold. And it was addressed.

But those were the words that came out of the radiology clinic. Those would be the words that would come out of the internal medicine clinic, we will not see National Guard until after 3 o'clock or after 2 o'clock or after—which goes back to what I was saying earlier, ma'am, am I an active duty soldier or am I National Guard? You can't have a distinction.

Ms. SANCHEZ. When you were active, did you ever hear or see that type of an attitude toward you or the other actives that you knew who were trying to access the medical care available?

Sergeant LACHANCE. No, ma'am. When I was on active duty back in the 1980's and the early 1990's, the only time—I was stationed overseas a lot of my time. We didn't encounter National Guardsmen. At the onset of the Gulf War buildup, there were National Guardsmen that came over to relieve people who were being deployed on forward. But as far as me actually dealing with it to where I could say, did I see National Guard being treated different medically then? No, I have no experience.

Ms. SANCHEZ. No. But your treatment, you always felt like you could make an appointment, like you were going to be seen, like the system was working for you; is that correct?

Sergeant LACHANCE. Absolutely. Yes.

Ms. SANCHEZ. For Mr. Robinson, you—I think I read an article from the United Press where you talk about the stateside suicides that have happened. And your question was, well, they are not counted in the total number of suicides expressed by the Department of Defense, and your question was, why not?

Have you had that question answered yet?

Mr. ROBINSON. No, I have not. And, you know, often organizations like mine, nonprofit organizations or advocacy groups, really do not get a lot of access to having their questions answered.

Ms. SANCHEZ. Why do you think the two stateside suicides haven't been included in the total for—included with the total that comes out of Iraq?

Mr. ROBINSON. I can't speculate why. But if a soldier went and served in Iraq, made it back home, and killed him- or herself within months or days of return, I would think that would be statistically significant and something that we should look at and monitor, and be part of the overall cost of the war.

I don't imagine these people committed suicide because they lost hope. They are—think about the soldier that joins. They have—they are very proud. They give themselves 100 percent. It is not in their character to quit this way. So we have to really look at it and say, is there anything that we are doing that is facilitating this action? And I don't know why they are not counting them.

Ms. SANCHEZ. Mr. Robinson, I just did return from Iraq, and I had the opportunity to talk to a lot of soldiers. And, you know, there has been this whole question of morale, what is it really like to be out there; and we got to talk to both soldiers within the green zone and also going into Baghdad, working at the airport, around different areas of Iraq in more remote types of areas.

And, you know, I got to listen to a whole host of things that they talked to me about. Maybe because I am a woman they tend to open up a lot more, I think, than to some of my colleagues. But one of the factors that I saw in our young soldiers was not that they didn't want to do their job. They loved doing their job, they want to serve their country, they understand why they are there, they have accepted the fact that we are going to keep them there as long as we need, so they go from six months to 12 months. They almost thought they are going to be there another six months or a year.

But one of the biggest problems that each and every one in their own way said was, you know, there are supposed to be six people in my unit doing what I do, and there are only two; therefore, two of us are doing the work of six. I am working 18-, 19-hour days. I am working seven days a week.

And their indication was, in one way or another this is incredible stressful, because we are talking about 19-, 20-year-old people.

Do you think that the lack of troops, in effect—because these people are doing the work of three others or what have you, do you think that that might be one of the stresses that we are really putting these young people under?

Mr. ROBINSON. I think it absolutely exacerbates the problem. One of the things that we saw early on, and has been widely written about, was whether or not there was a viable rotation plan.

The 3rd Infantry Division went in and won the war, took Baghdad, and then stayed in place and fought the peace. That is not normally how we conduct military operations if we have the appropriate people to rotate in personnel who can get the warriors that, you know, just had the most significant battle that we have seen in quite some time, get them out of there, get them back to a safe place, let them refit, reorganize, reconstitute, and then, if necessary, redeploy them. But that is not what happened. So it could absolutely exacerbate it.

The other thing that happens when the soldiers come back home is, they begin to in some cases meet obstacles, and I have to say that these soldiers will feel entitled to the best that this Nation can offer them. And when they don't get that, it creates additional problems.

An example would be, you know, if an NFL football player sprained his pinkie, he would get an MRI that day. If a soldier breaks his leg in Iraq or comes back and falls off a truck and hurts his shoulder, he might get an MRI within a couple of months.

I think we owe the best that we have for these guys in whatever way we can deliver it.

Whether the perception is real or believed that there is an inequity between the National Guard and the active duty force, it is a cancer, and it needs to be addressed. And the military needs to take steps to let them know that there is no difference, because the



bullet and the bomb doesn't know a difference. And in some cases the care back home seems like it is not appropriately distributed.

Part of the problem is exacerbated by not enough troops, absolutely.

Ms. SANCHEZ. Thank you.

I have just one more comment, question, and I don't know who to direct it to, maybe it is the next panel.

One of things that I got to do is fly out to Iraq on a commercial flight instead of going with the regular Congressional Delegation (CODEL). And I always learn a lot on these flights, because the airlines tend to sit me next to, for some reason, young men in our military one way or another.

In this particular case, I actually—I had two gentlemen in back of me that I never would have guessed were reservists for our United States, mainly maybe because I come from California, and when I think of a reservist, I think of my brother who is a Marine reservist, runs 10 miles a day, lifts weights, is in great shape.

And sitting behind me was a guy I thought was as old as my dad, who is 80; and I would never have guessed that he had already been eight months in Iraq, and taken two weeks, and now he was coming back. And his buddy next to him—of course, they weren't from California, they were from another State, I might add—but this guy must have been 80 pounds overweight. You know—and I work out every day, so I know what muscle is and I know what fat is; and how is it that we are putting these kind of people in a guerilla warfare situation? Just looking tells me there is something wrong here.

How is it that we are really not screening people before we send them over into theater?

Sergeant LACHANCE. It has been my experience with the National Guard, like I had said earlier on active duty, you are given a PT test. If you didn't pass the PT test, you were given another opportunity to pass the PT test, and then you were processed out. If you didn't meet the height and weight standards, you were processed out.

In my experience with the Guard, you don't have that. That goes back—to the doctor over here was saying, give a physical once a year. To me, passing a PT test is kind of a prescreener to a physical. If you see a gentleman or a lady cannot pass a PT test, that is an indicator that there is something wrong. That person should not be allowed to fill a slot that somebody else might be filling. There might be a gung-ho E-4 who wants to make E-5 who can't make it because there is not a slot, because an overweight soldier, a soldier who can't pass a PT test, a soldier who has these preexisting conditions is occupying that space.

For me, it is frustrating. It is like I had told Colonel Kidd. He had talked about alternatives to me getting out. I don't want to be a liability to the Army. If I can't perform my duties the way I should perform my duties, then absolutely I am going to be processed out. I don't want to take a slot from that young E-4. I don't want to be a burden to the Army.

But these units, and these on-scene commanders have caused a lot of the problems that went on. This 25-day rule is great. It is one of the best rules I have heard come out of the whole thing. But

prior to the implementation of the 25-day rule, there was a big problem.

But these unit commanders need to be held responsible for deploying people who can't pass PT tests, who can't meet these height and weight standards. Somebody needs to be held accountable for that.

It is not Colonel Kidd's problem that a local company commander has allowed someone to carry on in the National Guard to get his pension when he is not fit for duty. And that is where, to me, the biggest problem coming from the active duty side to the National Guard side is. Because, like I said, on active duty if I would have failed the PT test, I would have been out.

Does Colonel Kidd get a physical every year? No. Do I need a physical every year? No. Would it help in some cases? Yes. But existing Army standards if they would be enforced would take care of a lot of those problems we are talking about today.

Colonel ARMSTRONG. Ma'am, there is an individual responsibility and accountability that each individual soldier has to be held to standards. That standard is very clearly defined in our regulations as far as physical fitness, medical conditioning, your height, weight. So there is an individual piece.

There is also a unit piece. In some cases, individuals and units failed and failed miserably, and I don't think anybody sitting at the table would lead you to believe otherwise.

The flip side of that, though, is, ma'am, there were many units that came through Fort Knox, Camp Attaberry and Fort McCoy, Wisconsin, that were as prepared to go to war as any active component unit that I have been assigned to in my almost 25 years of service. There are units that are out there that are doing exactly what they are supposed to do, had their head in the game when they got their alert order, had their head in the game when they got their mobilization order, and when they came to the mobilization stations they were ready to execute their wartime mission.

Those folks were a blessing to deal with. Those individuals or units that chose not to abide by the rules and the regulations were burdensome. That is why we are sitting here today.

Ms. SANCHEZ. Thank you, Colonel. Thank you, Chairman.

Mr. MCHUGH [presiding]. Thank the gentlelady.

Just for the record, the exchange that the gentlelady from California had with Mr. Robinson, with respect to end strength, this subcommittee, as the Members all know, has for the past two years put language into our subcommittee mark for the authorization bill that would increase end strength. And it is an important part of that equation, as we all know.

Ms. SANCHEZ. And, Mr. Chairman, maybe one of the reasons that we are seeing some reservists who aren't really ready to go over is that people are trying to meet numbers. I mean, maybe this is a numbers game, and we are fooling ourselves with what we really have on the ground.

Mr. MCHUGH. I suspect there are commanders who are not fulfilling their requirements because of the numbers issue for them. I don't disagree with the gentlelady.

With that, I would be happy to yield to the gentleman from Tennessee, Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman. I appreciate your calling this important hearing. The witnesses have been great. I am especially appreciative to see folks who rank below general testifying. I am afraid that is terribly rare before, certainly, the full committee. So I appreciate hearing from real soldiers in the field. Thank you.

Mr. MCHUGH. My goodness gracious, I was conducting high finance here. I apologize to the panel. And I appreciate the gentleman's brevity. We have now been nearly 2-1/2 hours on this first panel. So our compliments and words of appreciation to all of you, both for the reasons you are here today and for the fortitude that you have shown in sitting here and being patient with us.

But obviously we feel very strongly about this. So with our final words of thanks and with a caveat that it may become appropriate that we may wish to submit some questions to you in writing, I am not sure if that will happen, but if it does, we would deeply appreciate your continued cooperation for fulfilling those requests should they come up.

We dismiss you—I hate that word, but we dismiss you with our deepest words of appreciation. Thank you.

And with that, as they are departing, I would call for the second panel that I know is seated behind the first panel.

While they are finding seats, let me try to, in the interest of time, introduce our second panel to the audience. For the record, the first witness listed is Mr. Daniel Denning, who is Principal Deputy Assistant Secretary of the Army for Manpower Reserve Affairs; Lieutenant General James Peake, who is Surgeon General, Department of the Army, no stranger to this subcommittee; Lieutenant General Joseph Inge, who is commanding general of the 1st U.S. Army; Vice Admiral Michael Cowan, who is Surgeon General, Department of the Navy; and Rear Admiral John Stewart, Jr., Deputy Commander, Navy Personnel, for the Department of the Navy.

As I look up, they are all seated. I don't know if they are in the order in which I read them, but we will play it by ear.

Gentlemen, thank you for your patience. As I noted at the conclusion of the last panel, we spent quite a bit of time with those individuals, and your sitting there and expending what I know is very valuable time for all of you is deeply appreciated. So without a great deal of adieu, let me once more say "thank you" for your being here and immediately turn the attention of the subcommittee to Mr. Denning.

I would just say, Mr. Secretary, that as I noted to the first panel, we do have all of you gentlemen's statements, that will be, without objection, submitted in their entirety in the record. So if you could summarize your comments to the best of your ability, it would be deeply appreciated.

Mr. Denning.

#### **STATEMENT OF DANIEL J. DENNING, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR MANPOWER AND RESERVE AFFAIRS**

Mr. DENNING. Thank you, Mr. Chairman.

Good morning. I am Dan Denning, Principal Deputy Assistant Secretary for Manpower and Reserve Affairs. With me today, as



you noted, is Lieutenant General Peake, the Surgeon General, and Lieutenant General Joe Inge, the Commanding General, 1st Army. Thank you for inviting us to appear before your committee to discuss the medical holdover issue. This morning it is our intention to demonstrate to the members of the committee that the Army is committed to providing outstanding health care and satisfactory housing and services to reserve component soldiers who are in medical holdover status.

These are challenging times for our Army with the Global War on Terrorism, our efforts in Afghanistan and continuing operations in Iraq. We recognize that last fall, in the furor to support the warfight by rapidly training, mobilizing and deploying units, we temporarily lost sight of the situation of soldiers in medical holdover status, a critical soldier support issue.

Since November, the Army has been intensively managing the health care and disposition of reserve component soldiers in the medical holdover status; and I know that Generals Peake and Inge both have programmatic data and detailed anecdotal accounts demonstrating that the Army has made substantial progress and has this program under control.

Of particular interest are soldiers who helped bring the situation to the Army's immediate attention and who have been in medical hold status since before November 1, 2003, such as those at Forts Stewart and Knox. It is obvious that the numbers of soldiers in medical holdover at those two installations, in particular during that period of time, exceeded the capacity of both medical treatment facilities and available installation infrastructure. Although the soldiers were being provided with quality medical care, the timeliness of that health care was not sufficient. Similarly, medical holdover soldiers were housed in transient billets that were not suitable for longer-term housing, nor in some cases to facilities to accommodate the medical condition of individual soldiers.

I would like to take a moment to relate the actions the Army has taken since November of last year that now provide improved case management and support for medical hold soldiers. Acting Secretary Brownlee redirected standards for more rapid delivery of care for screening, specialty appointments and surgery. The delivery of these standards is monitored at every medical treatment facility, and Lieutenant General Peake will explain those in more detail.

We increased medical infrastructure—more physicians, case managers, diagnostic capability—to provide more readily available, high quality treatment at our Medical Treatment Facility (MTF). We upgraded billets in which soldiers in medical holdover are housed to ensure that facilities will accommodate soldiers' medical conditions and are commensurate with active duty soldiers on the same installations. In some cases, soldiers in medical hold status have been relocated off the installation until adequate quarters can be provided on base.

The Army is spending an estimated 15.7 million to ensure facilities are adequate so that soldiers in medical hold status are housed in a manner that is commensurate with permanent party. We established a dedicated chain of command at each installation to monitor progress and provide necessary support for soldiers in

medical hold status. Lieutenant General Inge will be able to describe this important initiative in more detail.

And finally, Assistant Secretary Brownlee authorized a new provision in which Reserve Component (RC) soldiers mobilized after October 25, 2003, may be released from active duty if found medically unfit to deploy within the first 25 days of mobilization. These actions have resulted in a reduction in the number of predeployment medical holdovers and have postured the Army to more effectively deal with this challenge.

At the end of October 2003, there were approximately 4,452 soldiers in medical holdover status. By January seventh that number was reduced to 2,558. And by November 1st of this year, we expect a very small percentage of this original cohort to remain on active duty, most probably for persistent medical issues or physical evaluation board processing. From now through mid-May, the period during which the highest number of units will rotate to and from Iraq, Afghanistan and the Balkans, the largest number of active and reserve soldiers will pass through Army installations since World War II.

The Army is committed to ensuring that soldiers are medically qualified for service in a theater of operations, and providing comprehensive care and treatment to soldiers who have served and incurred illness or injury.

By law, each soldier is required to undergo a health assessment before deployment and upon returning from deployment to the theater of operations. The Army anticipates that health assessments for the large numbers of forces rotating in and out of theater will increase the number of medical holdover personnel. However, it is not possible to determine exactly what this number might be at this time.

The Army is taking the following steps now to mitigate a potential increase from 500, 5,000 medical holdovers above our capacity, which is at about 5,000. We are increasing medical installation support and administrative processing resources to ensure that soldiers have access to high quality medical care, and to increase throughput of patients through treatment, medical evaluation board, and physical evaluation board processes. Those measures include everything from hiring contract health workers, buying medical diagnostic services, repairing and upgrading billets, and outsourcing administrative support for boards.

We are developing multiple options, including support from other services, to provide appropriate health care when the patient load at medical facilities at demob sites exceeds capacity. We are using a combination of civilian contractors, civil service employees, RC medical personnel, the TRICARE network, Army, Navy and Air Force resources and the VA in meeting the immediate need for taking care of our soldiers.

We are establishing community-based health care organizations located at our National Guard Joint Force headquarters, staffed by mobilized National Guard soldiers and reservists. These units will be under the direct command and control of FORSCOM, with Medical Command (MEDCOM) technical oversight, and will manage the health care administrative processing and soldier support for assigned medical hold soldiers. This initiative will afford soldiers

with less severe health issues the opportunity to receive care closer to their homes and, in most cases, to live at home while completing their treatment. We are ensuring that adequate living facilities and a dedicated chain of command exists at every installation where medical hold soldiers will be staying to receive treatment and processing.

The medical funding needed to meet the medical holdover mission is estimated at 77 million. These resources will be used to hire more case managers, more orthopedic specialists, more administrative staff, et cetera. An additional 6.9 million is required to repair and upgrade billets, and it is estimated that establishing and operating the up to 13 community-based organizations will require approximately 8.5 million.

The Army is postured to be successful at managing medical holdover soldiers. The appropriate policies are in effect. We have set standards of care and living conditions of soldiers in this status. Acting Secretary Brownlee and the Army leadership have committed that soldiers will receive the best medical treatment in the most expeditious manner, and will be billeted in facilities that are comparable to those for permanent party soldiers.

We have put together the right team within the Army while leveraging the support of sister services, VA, and civilian health care providers. The combination of these groups will posture the Army to take care of soldiers entrusted to its care and will improve our overall readiness posture.

Thank you for your continuing commitment and support to quality care for our soldiers and the readiness of our forces.

Mr. MCHUGH. Thank you very much, Mr. Secretary.

[The joint prepared statement of Mr. Denning and General Peake can be found in the Appendix on page 97.]

Mr. MCHUGH. Next, as I mentioned, no stranger to the subcommittee is Surgeon General of the United States Army, General Peake.

Welcome, sir.

#### **STATEMENT OF LT. GEN. JAMES B. PEAKE, THE SURGEON GENERAL OF THE U.S. ARMY**

General PEAKE. Mr. Chairman, Congressman Snyder, members of the committee, first, I want to thank you for inviting me and to thank you for the unwavering support that this committee has always given to military medicine. It is what has allowed us to provide an extraordinary quality of care with the best people, well equipped, well trained, well prepared, saving lives on the battlefield, compressing lines of evacuation, reducing the disease and nonbattle injury rates, while maintaining high standards as we take care of family members back home.

Iraqi Freedom gets most of the attention, but as you well know, we are executing the same support in Afghanistan, Kosovo, Bosnia, Honduras, Colombia, the list goes on. But I know we are here to talk about caring for our soldiers after the deployment.

It is absolutely our obligation and our commitment to not only give them the best possible care, but to treat them right. And frankly, I stumbled, in that we were meeting general TRICARE standards for the returning men and women, but as the members



slowly claimed, I didn't really recognize early enough that those standards, fine for soldiers living at home with their wife and family, soldiers who could productively engage at work even in a limited duty capacity, were not the right standards for this group; standards with a focus on expeditious not just efficient care, and expeditious, not just effective processing for those RC soldiers who were not at home or not in permanent living quarters. And we were not as sensitive to the perception that reserve component soldiers were being treated differently with regard to medical access.

The good news is that I got really good people out there who were ensuring that each soldier did get quality care all along. And when we recognized the need to change our access standards to account for the unique circumstances of the medical holdover soldier, they have responded superbly.

We reached out to the other services, to the VA, to our network, to augment us; we shifted work loads, sometimes staff; sometimes we moved patients to expedite consultation and care. We have reduced surgical wait times, insisted on specialty consultations within 72 hours. We have provided case managers to ensure things do not fall through the cracks and that there is that all-important individual attention.

We have upped the admin staff to process the medical boards where required, and we have developed predictive models that allow us to anticipate and posture for the surges that we may expect as our Army executes really the largest troop movement since World War II. We have steadily returned soldiers home.

From the group that was in the med holdover status before 1 November, we now have 2,370 from that cohort that was 4,452, each with a treatment plan to resolve their medical condition or to get it adjudicated. We have, by installation, visibility of those soldiers returning who come into medical hold status, and have the same processes in place to keep their treatment and process moving. At each installation, there is really close communication and teamwork between the medical system and the installation commanders that you met here earlier and the command and control structure that oversees these soldiers.

Sir, we are committed to ensuring these soldiers get the care to which they are entitled, and as expeditiously as we can. We are postured to respond to their redeployments. We are monitoring performance against our predictions.

Again, I thank you and this committee for the support you have always given us; and we intend to do this mission while maintaining the same high standards we expect for all of the rest of our missions.

I look forward to answering any questions.

Mr. MCHUGH. Thank you very much, General.

[The joint prepared statement of General Peake and Mr. Denning can be found in the Appendix on page 97.]

Mr. MCHUGH. Next, Lieutenant General Joseph Inge, who is Commanding General, 1st U.S. Army.

General, thank you so much for being here.

**STATEMENT OF LT. GEN. JOSEPH R. INGE, COMMANDING  
GENERAL, 1ST U.S. ARMY**

General INGE. Mr. Chairman, distinguished members, thank you for giving me the opportunity to be here.

I am Lieutenant General Joe Inge, Commander of the 1st U.S. Army, headquartered at Fort Gillam, Georgia. The 1st Army's area of responsibility encompasses the 27 States east of the Mississippi River, as well as the District of Columbia, Puerto Rico and the Virgin Islands.

The 1st Army's mission is to provide training, support to the Army, Reserve and National Guard and to mobilize those forces when they are called to active duty. Additionally, when directed, we support homeland defense for providing command and control elements within the continental United States.

Since the attacks of 9/11, 1st Army has mobilized approximately 140,000 Reserve component soldiers to support, as General Peake said, a variety of missions, including Iran, Iraq, Bosnia, Kosovo, Guantanamo, as well as force protection forces in the United States and abroad. We typically, as we discussed earlier this morning, mobilized units at power projection platforms. An example of such a platform is Fort Stewart where, since 9/11, we have mobilized some 23,000 reservists.

While Fort Knox is not a power projection platform, it is what we would call a power support platform. We have in fact mobilized some 6,000 soldiers there. But as Colonel Armstrong pointed out this morning, he provides extensive support to Fort McCoy, Camp Attaberry, in support of their medical initiatives.

Since the beginning of major mobilization operations early last year, 1st Army's medical holdover population peaked at approximately 3,000 Reserve component soldiers, and has gradually fallen to its current number of approximately 2,500. While we expect the downward trend to continue, we do anticipate that there may be a short-term spike as we go through the demobilizing of some 30,000 soldiers in our area that will return from the Area of Responsibility (AOR) between now and early summer.

Several factors contributed to the overall decline in the number of medical holdover services, including many intensive management initiatives and a partnership of headquarters, beginning with the departments—the medical department of the United States Army, Army Forces Command, recent changes to the Army personnel policy guidance that allow the expeditious release of mobilizing soldiers with preexisting conditions.

Throughout this process, our primary concern has been and will continue to be the welfare of the soldiers entrusted to our care. We will continue to carefully manage the medical treatment and processing to ensure that they receive both the quality of care and the statutory and regulatory benefits which they deserve.

Thank you very much.

Mr. MCHUGH. Thank you so much, General.

I mentioned that General Peake is no stranger to this subcommittee. I would note, as well, that Admiral Cowan is also no stranger to the subcommittee, Surgeon General of the Department of Navy.

Admiral, thank you so much for being here.

# STATEMENT OF VICE ADM. MICHAEL L. COWAN, SURGEON GENERAL OF THE NAVY

Admiral COWAN. Thank you, sir.

Mr. Chairman and members of the committee, I am also privileged to be here to discuss Naval medicine's efforts to ensure seamless and world-class health care for our Naval reservists who, after being called away from family, friends and work to serve their country, are now being released from active duty and returning home. It is Naval medicine's duty to ensure that these men and women, some of whom have injuries and illnesses as a result of or aggravated by their service, get timely and quality health care.

Recently, and thanks in part to staff members from this committee, we learned that the continuity of care and medical communications for some reservists being demobilized at San Diego was simply not up to our standards. Although the numbers were relatively small, each case represents a failure on the part of our system, and each case is highly important to us and the individual involved.

Reservists being mobilized deserve and must receive the best care, fully understanding their own medical conditions, know how to access care when they return home, and where to go if they need to get further assistance. To address these issues, representatives from Naval Personnel Command, Naval Reserve Force and the Bureau of Medicine and Surgery initiated a working group to explore our continuity of care and medical holdover policies. They found that while the processes and procedures were fundamentally sound, there were nonetheless communication breakdowns between the responsible authorities and individual patients that hampered their reserve transition.

Typical problems encountered were, for example, we would see processing site and senior medical center health care providers not communicating effectively with one another about treatment plans. This would result in conflicting advice from different providers, would cause confusion in the plan for care, and generate anxiety among the affected members.

We had health care providers at the Medical Center with inadequate training in the reserve to mobilization process. There are several physicians in the room—and we all know, if you ask a doctor a question, you will get an answer—and when our physician providers who knew about that health care were asked demobilization questions, they would give an answer. Sometimes it would be wrong. Vice versa, sometimes in the processing center medical questions would be asked and answered wrong. And we had confusion that affected the outcomes for our patients.

Finally, we were finding that the reservists didn't always fully understand their health care benefits or how to access them. There are several benefits for them. And the use of those benefits and in the maximum deployment of them can be complex and difficult to understand.

We need do the right thing and we need to do it the right way. So, in response, Naval medicine reviewed the policies and has taken measures to improve both the policies and the communications so that we continue to provide the continuum of quality care for all of our forces, whether on active duty or transitioning back to civilian life.



The measures we have taken include: first, establishing a single point of contact at each Navy military treatment facility to coordinate with the local processing sites to see that each case is managed in a coordinated way and ensure that all reservists receive copies of their records;

Second, every reservist will go home with an easily understood, written, personalized care plan and will know where to go for additional assistance if unexpected events occur after their return home;

Finally, through our TRICARE health benefits advisors, no reservist will leave the Navy Mobilization Processing Site (NMPS) without understanding all of their TRICARE and VA benefits.

Tomorrow, the same working group will meet again, this time in Norfolk, which is the location for medical demobilization on the East Coast. They will share the lessons learned from San Diego and will work with Norfolk to aggressively address any new issues that they may identify there.

I will conclude my remarks by assuring this committee that we at Navy medicine are committed to working closely with the Naval Personnel Command Reserve Force and this committee to ensure that reservists receive the health care they so richly deserve. High quality health care is one of the ways that a grateful Nation thanks its service members for their service, and it is our honor and privilege to be the instruments of delivering that health care.

This concludes my statement. I will be pleased to respond to any questions.

Mr. MCHUGH. Thank you very much, Admiral.

[The joint prepared statement of Admiral Cowan and Admiral Stewart can be found in the Appendix on page 90.]

Mr. MCHUGH. The next witness is Rear Admiral John Stewart, Jr., Deputy Commander, Navy Personnel Command, Department of the Navy.

Admiral, thank you.

#### **STATEMENT OF REAR ADM. JOHN M. STEWART, JR., DEPUTY COMMANDER, NAVY PERSONNEL COMMAND, DEPARTMENT OF THE NAVY**

Admiral STEWART. Thank you, Mr. Chairman and distinguished members of this committee; I appreciate the opportunity to appear before the committee. And thank you for the outstanding support that Congress and the subcommittee continue to provide our Naval personnel and their families during the Global War on Terrorism.

I am a Naval reservist from Tennessee, currently serving as Deputy Commander of the Navy Personnel Command with additional duties as Director of Navy mobilization.

In September of 2001, U.S. Navy began its largest mobilization since Operations Desert Shield/Desert Storm over 10 years earlier. Over 22,000 Naval reservists have been mobilized since 9/11. As of early January 2004, almost 19,000 have been demobilized. Less than 1,600 of these service members have been evaluated for medical holdover to resolve conditions that arose or were aggravated while on active duty. Currently, just over 100 sailors remain on active duty in a med-hold status.

A major lesson the Navy learned from Desert Shield/Desert Storm was that we needed a limited number of central points with access to systems and facilities and staffed with technical expertise to activate and deactivate our reservists more effectively. By 1996, the Navy had developed the Navy mobilization processing site concept with 15 sites established worldwide under the cognizance of the Navy regional commanders to address reserve mobilization/demobilization issues, including orders and pay, medical, dental and legal screening, equipment issues and transportation.

This system has paid huge dividends during the Global War on Terrorism, resulting in relatively few medical, dental or pay issues. Each of these issues had been very problematic for thousands of our reservists in 1991, and adversely affected our recruiting and retention for years thereafter.

In June of 2003, following conclusion of major combat operations in Iraq, Navy began demobilizing reservists. Our mission for them was completed, and the goal was to return them to their families and employers as rapidly as possible. Anticipating a spike in medical cases during demobilization, the Navy Personnel Command elected to relocate all med-hold cases that would involve extended care to either Norfolk or San Diego. Being located near our Navy medical centers at Portsmouth and Balboa would provide ready access to our extensive medical capacity, and implementation of professional case management would expedite resolution of those med-hold cases.

Most of the Navy's 1,600 med-hold cases have been thoroughly reviewed and resolved. A significant portion of the remaining med-hold cases are now under review by the physical evaluation board for disability level determination.

During the demobilization processing, several reservists felt they were released from active duty too early and have submitted grievances to the Navy inspector general, Members of Congress and advocacy groups. We are aware of about 15 documented cases.

Some of these sailors were absolutely right, and when their concerns were made known, they were recalled back to active duty, or demobilization was delayed to correct the medical condition. In a number of these cases, however, the member was demobilized because the Bureau of Personnel senior medical officer found him or her fit for duty, but with outstanding medical issues of treatment or rehabilitation to be either provided by or funded by the Navy.

When this condition does not render the member unfit for duty, that is the correct decision. And it is not one made in a vacuum. The decision is made in consultation with the treating physician and the NMPS medical officer. When opinions differ as to the member's true condition, the Bureau of Medicine senior specialty leader for that field, such as orthopedics, is also consulted.

Cases in which members were released prematurely—and there are a few—usually happened because of incomplete information at some point in the process; and Bureau of Medicine and Surgery (BUMED) and Bureau of Naval Personnel (BUPERS) are continuing to work very hard to improve that process and prevent future information gaps.

Demobilization does not absolve Navy of responsibility to treat medical conditions that arise or are aggravated while on active

duty. Care is continued upon the member's return home under notice of eligibility, line of duty process. The member can receive treatment at a DOD medical treatment facility, a DVA medical center, or a civilian hospital, and Navy will pay the bill. Additionally, if the member misses work as a result of treatment, incapacitation pay is also provided equal to the member's active duty pay and allowance.

If a member is later found unfit for duty, after demobilization, as a result of their condition, they may be recalled with their consent to receive further care or to be reviewed by a physical evaluation board for disability determination.

I believe that the Navy is doing right by its people in returning reservists to their families, homes and civilian employers as quickly as possible while still caring for their medical needs. We are committed to continuous improvement of our procedures and systems and all complaints are taken very seriously.

The Navy team that visited San Diego in December of 2003 to address all known issues associated with the demobilization through that NMPS site will travel to Norfolk tomorrow to continue the process of assessment and incorporating best practices. Our goal has been and will continue to be to deliver all Navy personnel, active and reserve, the best medical care and support possible.

This concludes my statement. I welcome any questions you may have.

[The joint prepared statement of Admiral Stewart and Admiral Cowan can be found in the Appendix on page 90.]

Mr. MCHUGH. Thank you very much to all.

Let's, Dr. Snyder suggests he has one question. And time is fleeting, so I would be happy to yield to him.

Dr. SNYDER. I just wanted to ask, the comments of the first panel, when talking about the legal standards of fitness for duty, and that needs to be revisited.

Maybe, General Peake, I will ask you. Is that—do you have enough reliability now that that standard can be applied well, or does it need to be revisited, which I think can open a whole bunch of issues?

General PEAKE. We have accession standards, and then we have retention standards. They are pretty clear. They are basically in AR40-501.

The issue is deployment and deployability, because that sort of depends on the theater, and there is a commander's call into that as we document in the profile what the patient's limitations are from a medical perspective; and the commander must take that into account as they determine what that soldier can do within the confines of that unit.

If they are, by our standards, not retainable, then we need to make that determination and put them into the medical board process to make the adjudication about their fitness for duty—which is done not actually by the medics, it is done by the physical evaluation board.

Dr. SNYDER. Thank you.



Mr. McHUGH. Thanks, gentlemen. Let me see if I can squeeze one in here before we have to go vote. We have got a series of, I think, four votes.

It seems to me we have two problems here. First is the procedural problem of adequate medical screening, predeployment; and we can pursue that. The other is the postdeployment issue, or redeployment issue, I should say. That seems to be largely—not exclusively, perhaps, but largely a matter of resourcing, which I think both the Army and the Navy are trying to resolve here. But I am sure you gentlemen heard the concerns expressed by our two garrison commanders. With respect to, first of all, Fort Stewart, are they going to have sufficient resources for this next significant wave, 250,000 whatever it is, of people that need to be processed?

And, second of all, while General Inge suggested very correctly that Fort Knox is technically a power support platform, it is currently designated a power projection platform; and yet while expected to do that, it apparently is not getting the resources.

Just one simple question: Are we going to resource this well enough in the next wave to accommodate the likely challenges?

I mean, things happen you can't anticipate reasonably, but I think we can reasonably anticipate what the major challenges are going to be here. Are you gentlemen confident that the resources are going to be there?

We will start with General Peake.

General PEAKE. I am. And it will take management, because what we will see, as you look across the spectrum of our 34 places now where we have medical hold soldiers, different peaks and different valleys. We are watching very carefully to understand what those peaks and valleys may be in trying to project out.

With the 25-day rule, we are saying a lot more attention in the units before they come. And so what we are seeing is, we think, about one to two percent of those soldiers will be injured in training. The rest—those others are going home as we make those determinations, but we will have a few come out of the deploying units that will stay in medical hold, because we owe them to take care of the problems that are aggravated by service or created during their training period.

We have been seeing about 8.7 percent of those soldiers coming back through. The soldiers that have been returning are basically running—because of one reason or another, about 8.7 percent of those that have been coming into a medical hold status.

What we are starting to see now as cohorts come back, we are seeing a much smaller number because most of those kids come home, they are ready to get back home as quickly as they can, these young soldiers. So, you know, we are projecting at about 8.7 percent, but I am thinking that is going to be a little bit lower.

We are projecting out the peaks, and then we have surge teams that will go and augment the Fort Stewarts or wherever as we see those peaks arise. But we are watching it on a very close basis.

Mr. McHUGH. Including Fort Knox?

General PEAKE. Including Fort Knox, which has Attaberry and McCoy as a larger catchment area, if you will. And so we are working with the VA which is fairly close to Attaberry, as an example. And we are—we will go downtown. We will purchase the care

where we don't have the specialties in places like McCoy, as an example.

Mr. MCHUGH. Thank you.

Admirals, one word. All you have got to say is "yes."

Admiral COWAN. Yes.

Mr. MCHUGH. The problem has never been, as Ms. Hicks testified—in her estimation, I think, and the information we have received—the quality of medical care. And I am not excluding the Army here, but specifically, the Navy is excellent, excellent. The process has been a challenge, and that is a resource problem.

Admiral COWAN. Yes, sir. I am confident that we have the resources to manage the next wave. I am more comfortable now that we have the processes that will prevent fewer—hopefully, nobody falling through the cracks, as the cases that Ms. Hicks talked about did the last time.

Mr. MCHUGH. Which is—it happens, but it is frustrating. We have got one gentleman, as you know, in the audience here today that it happened to.

Admiral COWAN. Yes, sir.

Mr. MCHUGH. We certainly share your view. And we don't want to see that happen again if at all possible.

We are going to have to adjourn the subcommittee. I beg the second panel's forbearance. We are going to have to clear this room by 2 because they have a full committee briefing.

So we won't take too much of your time. We have four votes. We hope to reconvene. I apologize, but such is the way of Congress.

So we will stand in recess subject to the call of the Chair, I guess is the way to do that.

[Recess.]

Dr. GINGREY [presiding]. The hearing will come to order. We, of course, apologize. But I think everybody in this room understands the drill, if you will. So we are happy now to be back. At this point, I would like to call on the ranking member, Dr. Snyder from Arkansas, for his questions.

Dr. SNYDER. Thank you, Mr. Chairman.

I wanted to ask General Peake and Secretary Denning, you mentioned the—on page six of your written statement about the community-based health care organizations, I don't understand—I don't understand how those would operate. Are those a done deal? Is that going into effect? Are they already going into effect? Is this something that is being considered?

And then as part of that, why is there a need for that? And this is just a devil's advocate question. Why is there a need for that if we have, you know, the National Guard headquarters and facilities—I will use Arkansas, in Little Rock, and five miles from there we have the Little Rock Air Force Base with their medical facilities.

If you are pursuing that, how does that fit into already-established systems?

Mr. DENNING. Yes, sir. Well, first of all, the—the community-based concept is a task-organized element staffed by mobilized national guard and reserve soldiers that operate out of the Joint Force State headquarters.

It is really a safety valve in case our projections prove too conservative. As General Peake mentioned, right now we are experiencing less than four percent medical hold on redeploying units. Our planning factor was 8.7 percent. Going back in time, we can see numbers that were even higher. Once the wave hits, when it is still ahead of us, if we start seeing numbers well in excess of our capacity and our ability to reach out to our sister services, to other health care, the VA and other assets, we are prepared to and we are executing—we just issued the execute order yesterday to open up five of these by March 16, spread over the country, and they have a capacity of about 300 soldiers each. So it really is a fail-safe mechanism, and we are prepared, by the way, to expand it beyond that if we have to.

Dr. SNYDER. So what does it mean—I think Arkansas is one of those five probably because the 39th Brigade was activated, and we have got 3- or 4,000, several thousand troops at Fort Hood right now. But what does it mean to be activated? Will they start processing people or—

Mr. DENNING. It means—what it means, sir, is that we will go ahead and alert and mobilize the guard soldiers and reservists, about 35 each, to stand up those organizations and be prepared to accept medical hold soldiers as patients. I will let General Peake explain how that process will work, but basically soldiers that are—their medical conditions dictate that they be better treated near their homes, in the case of overcapacity we would transfer them to those community-based health care organizations for treatment.

Dr. SNYDER. Would these be people who were coming home postdeployment, or would it also include people who had problems before they were deployed that somehow the 25 day rule did not take care of?

Mr. DENNING. I view it as primarily postdeployment, sir, but I think it would apply to both.

Dr. SNYDER. Did you have any comment, General?

General PEAKE. Sir, again, we are looking at this as a pop-off valve, not as the approach of choice. We are—part of the reason we are bringing them on is so that we can train them, because we don't have the case management skills and all that kind of stuff. We want to make sure they understand the process, the linkage to the medical board process and so forth. So we have got a small number that will actively participate in the training of that group, and we will reserve the right to try to pick the right person to go into that should we wind up with a bubble that we don't think we can handle appropriately.

We don't want to be in the situation Ms. Hicks described where we are pushing people out into a system where, you know, nobody is there to take care of them. They will still be on active duty, and then they will go through the processing. So this is a—this is a belt and suspenders approach so we don't get caught short.

Dr. SNYDER. One of the concerns that Ms. Hicks had, she talked about the geography concerns. So your openings in five areas of the country, is the intent that they would be dealing with people in their home State primarily, that you are not going to be sending somebody from Wyoming who is at Fort Stewart and then say,



okay, we don't have room for you here, we are now sending you to Arkansas or one of the other sites? It is going to be primarily to deal with home folks?

Dr. DENNING. Yes, sir. That is the intent, although these are—these five were picked for really two reasons: One, that these were adjutant generals and National Guard assets that were leaning forward and wanted to do it; and the other factor was there is a regional spread here. The five are Arkansas, Florida, California, Massachusetts and Wisconsin. So we tried to give it a regional spread so a soldier, for example, that Fort Stewart could not handle, we were over capacity there, and was from somewhere in Massachusetts might be assigned—or anywhere in the New England area would be assigned to that community-based organization in Massachusetts.

Dr. SNYDER. Your ability to predict, I think—I mean, what you are saying, the pop-off valve, I guess, General, was your metaphor. I remember when we were leading up to the vote over a year ago on the Iraq war, I met with—as a lot of Members did—with a whole lot of different people and some high-ranking military folks and was asking about, you know, potential estimates of casualties. And one person told me, he said, as a ballpark, you know, we ought to be prepared for easily 10,000 casualties, which seemed like a terrific number. But then just a couple of weeks ago I understand that we have now had close to 10,000 medical evacuations, not all from combat wounds, but medical evacuations. Injuries and wounded from all the services has now surpassed 10,000 medical evacuations, which means we probably have more casualties than that, there has just been a lot treated in Iraq, and plus our 500 dead. So we have had significant numbers now. And so I think it is good that you all are doing this.

I want to ask one final question. As you were immersed for the last several months in these numbers, when you were looking at the—now the folks that were not deployed, that were having problems before they ever got deployed, did that point you in some directions about things that the national guard and reserve forces could be working on in terms of preparing their folks? And the one that specifically comes up is dental. General, what were your thoughts from the medical perspective? Are there some things that we could have some more deployable people with, perhaps things that we need to do on this committee or that the guard needs to do?

General PEAKE. We—I think that is an issue, because, as you know, we have not in the past been able to provide care for the reserves. We now have authority if—once they are notified that they are going to be mobilized, that we can start to apply resources against care to bring them to a deployable status. I think that we—you know, we just now have that authority and just getting that into place. And we will do that through a variety of mechanisms, whether it is at a military post or the VA.

I mean, we have the opportunity to make a difference in that. I think it goes to the notion of holding to standards. We are all supposed to be—we have an individual responsibility to be medically ready, and the reserves say every year that I am medically ready to go. And so—

Dr. SNYDER. I think earlier, General Peake—I am sorry Mr. Chairman, with your indulgence—you—when we were talking about the 25 day rule, it is permissive authority. Someone—you do have the authority to keep people beyond 25 days.

General PEAKE. Yes, sir.

Dr. SNYDER. What you are saying is if you look ahead and say they can have four dental appointments over the next month and they will be in good shape to go.

General PEAKE. Yes, sir. But I am talking about before they even come on mobilization status, before they ever get mobilized, that can be done back at home station, which is really what you want, so that they are—you know, they can come, and they don't waste their time getting medical care. They spend their time at the "mobe" site doing the training and, you know, the qualification and all those kind of things that our reservists need to be able to do.

Dr. SNYDER. Thank you. Thank you all for being here. Apologize for the disruption in the last hour.

Thank you, Mr. Chairman.

Dr. GINGREY. Thank you, Dr. Snyder.

It seems appropriate with this panel discussion on health care issues, that the two remaining members of the subcommittee are the two physician members. And, Dr. Snyder, if you have any other questions, I will come back to you.

I wanted to—I think most of the panelists were here listening to the testimony of the first panel, and you probably heard my questions to them in regard to the physical readiness of the guard and reserve. So I want to basically address that same issue and particularly to the Surgeons General. And the first question I want to ask is the deployment physical exam for the guard and reserve once they are activated, is that identical to the physical examination that I would just assume that the active component has to pass before they are also deployed to a theater of combat?

General PEAKE. Sir, the requirement for a physical is every five years for a physical examination. The law—and I heard what Mr. Robinson said—is not quite that. It says medical examination. It doesn't say a physical examination or a hands-on examination.

And I think you can get into the discussion about what is the most important part of an examination, and probably you would both agree it is the history. And then what this screening does is say, well, if you have an issue that comes out of the screening, it doesn't mean, well—what it says is that is where we need to go then to do directed intervention or further assessment, which may be a full physical examination, may be an MRI, may be any of the things that you need to make the diagnosis.

But from an effectiveness perspective, you know, I agree with you about the school sports physicals and those kinds of things, sir, and when you are dealing with large numbers, that screening examination to include a review of medical records and to understand what the soldier is telling you, you know, face to face. And so we have that requirement; also the postdeployment. It is a requirement to be face to face with a provider, either a physician or a physician's assistant, to be able to make sure you have that eyeball-to-eyeball contact, and I have seen that being done in Kuwait actually.



So, you know, it is—the standard is the same for active and reserve. It is the application of the standards and making sure that we adhere to those standards that is important, I think.

Dr. GINGREY. Admiral.

Admiral COWAN. It is exactly the same for us. I wouldn't particularly have anything to add except that as we prepare people to deploy and redeploy, the assessments are not just the health, but the family status, psychological status, the stability of the individual, their fitness, their physical fitness. So we try to make this all a snapshot of their overall ability to go out and finish the mission. And I think all of us have a reasonable level of comfort, and the standards are the same for reserves and active duty.

Dr. GINGREY. I want to make sure I understand. And although I am a physician, I am not a veteran, and it sounds like what you are saying is that to take your entire active component and put them through a complete hands-on physical examination every time there is an activation to some theater of operation would be a little impractical and tremendously expensive. But what I think I am understanding you to say, that every five years they do indeed go through a hands-on physical examination, and it is a very thorough examination and very similar to what the reserve component goes through when they are deployed.

General PEAKE. Sir, the Reserve component get that same physical examination every five years, and when they are deployed, we all go through that same predeployment screening process and soldier readiness processing (SRP) and it is to check to make sure that you have had the health protection things like your immunizations, that you have your two pair of glasses and your gas mask inserts and those kinds of things, and that there are no problems that have arisen since your last physical, which was sometimes as far away as five years or within that five-year period.

Dr. GINGREY. And you are saying then that the reserve component, that they get that same physical examination every five years, it is just back home. It is before they have been activated, and it is done routinely and not just when they are activated.

General PEAKE. That is correct, sir. And now the issue is adherence to it, and we are just putting in place the process so that we can start to have the roll-up of that kind of data, and it is being entered in a Web-based system so that we can start to have visibility of it. And I will tell you the National Guard General Schultz has taken that on very significantly to make sure, because then it starts to give you the data to do the command management things, to make sure that the right things are being done.

Admiral COWAN. It is frequently harder to be as successful in the reserves. You already hit on that with the dental issues. We do have more dental issues with reservists during a deployment for the obvious reasons. But the standards are the same, and we try to—we try to manage these communities so that they are indistinguishable from one another medically.

Dr. GINGREY. Let me ask one more question, and bear with me. When we embarked on Operation Iraqi Freedom, it couldn't have come as a surprise to the leadership of the Pentagon that there would be a significant number of troops moving through Fort Stewart or the other power projection platform. And it only stands to



reason that out of tens of thousands of troops that would be moving through these bases, considering the number of activated reservists, that there would be a large number of medical holdover personnel. My question is, why did the services appear to be caught by surprise with what to do with these holdovers at Fort Stewart and the other facilities? Should we not have been better prepared for the level of holdovers?

Mr. DENNING. I will take that one on, sir. I think I have already admitted we were—we had our eye off the bubble here to a degree. I have to say, though, the Army met TRICARE standards. And I think the facilities, they were quite adequate for—as transient billets.

Where I, at least, missed the ball was putting the two together, if you will; that once a soldier is in medical hold, a Reserve Component (RC) soldier is in medical hold, he is away from his family, and the transit billets, you know, what might be adequate for three or four weeks are not adequate for three or four months; and that the TRICARE standards, which AC soldiers and families who are right there on base are able to tolerate, when a soldier is away his family, away from his domicile, away from his job, his normal doctor, waiting that long and keeping him on status awaiting treatment was not the right thing to do. And that is why the Army then moved aggressively to fix that.

Did we know the problem was coming? General Inge will tell you we certainly did. He was tracking, and Fifth Army as well were tracking these numbers right along. I think if there was a failure, it occurred at my level in not recognizing how these—how this perfect storm, if you will, how these different elements just came together at one time, and we—and efforts of Sergeant LaChance and Mr. Robinson and others came to our attention.

General INGE. Congressman, I think I should step in here. I have got a tour at Fort Stewart as the assistant division commander, and I have got five years before that in the Third Infantry Division (3ID), so that organization is dear to my heart. I think if—and it is my responsibility to load the mobilization stations. I decide where they go. I have the final call on who goes where and in what numbers, and we manage that day-to-day very carefully. We do our very best to mobilize people as close to their home as they can, depending on what the mission is and depending on whether you have to bring packages together. Sergeant LaChance, for example, had the Kosovo package not come together at Fort Stewart, would have mobed at Fort Leonard Wood instead of coming to Fort Stewart.

I think one of the things that I missed as I worked this issue was—and I had been in and out of Fort Stewart six or eight times while the 3ID was going, at least that many. I missed the coming together of the reserve component holdovers and the emotion and load of the 3ID coming home. I missed that the 3ID was coming home at 118 percent strength. At the same time, we moved medical hold people from the 3ID barracks into the training facilities. It created a perception of we, they, have and have not. And I think we have—I am comfortable we have corrected that.

But the other point that needs to be made is what have you done for Fort Campbell, because the 101st is coming home, and Fort

Drum, because the 10th—and I will tell you we have set down and worked the loads there. We thought that we won't exceed capacity of either hospital or billeting place, and I am comfortable that we won't see this problem again. I would never say never, but I am comfortable it has been worked very hard.

Dr. GINGREY. Well, I appreciate the frankness, General Inge, of your remarks in response to that question, and Mr. Denning as well, because I think Sergeant LaChance has brought a lot of very definite concerns to us that have obviously resulted in some positive effects, and I just appreciate you being forthright with the subcommittee and helping us going forward to solve this problem.

Dr. Snyder, do you have any other questions? Any further questions? Any of the panel members like to make any closing comments at this point?

Well, I want to, on behalf of the subcommittee Chairman Representative John McHugh, the Ranking Member Dr. Snyder, and the other subcommittee members, I want to thank all of you for being here with us today and testifying before the Total Force Subcommittee of the House Armed Services Committee. Again, I apologize for the fractionation of the hearing because of having to break for the votes, but both the panelists of the first panel, Sergeant LaChance, the others who are still here, and the panelists on this second panel, Mr. Denning, the Surgeons General, General Peake and Admiral Cowan, General Inge, and Admiral Stewart, we are very, very appreciative of your patience, and I feel that we have learned a lot.

I certainly, as a member of the committee on total forces and as a physician Member of the Congress and a member of the full committee, have great concerns about a lot of things pertaining to the guard and reserve and the length of deployment, the notification time, how they are used; but in particular, of course, in regard to this hearing, the health care issues, and to make sure that—I think Dr. Snyder said it best—as far as equal versus equitable. And I think that cuts right to the chase of this whole hearing, and I think we have learned a lot as a subcommittee, and I hope all of the people that are here that have been with us for the last three or four hours during this hearing have learned a lot as well, and going forward that things are definitely going to improve, as Mr. Denning pointed out, in regard to anticipation.

And I just want to thank all of you for being here. And at this point I declare this hearing closed. Thank you.

[Whereupon, at 1:35 p.m., the subcommittee was adjourned.]





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# **A P P E N D I X**

**JANUARY 21, 2004**

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**PREPARED STATEMENTS SUBMITTED FOR THE RECORD**

JANUARY 21, 2004

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**OPENING STATEMENT OF CHAIRMAN MCHUGH**  
*Total Force Subcommittee Hearing*  
*Reserve Component Healthcare: Medical Holdover Personnel in Current and Future Deployments*

Today the Subcommittee meets to hear testimony regarding the treatment of reserve component soldiers and sailors who are receiving medical care and disability processing while in a medical holdover status. I want to welcome our witnesses and I look forward to their testimony.

In October of last year a series of articles revealed that many mobilized reserve and National Guard soldiers in a medical holdover status felt the Army was not treating them as equals to their active component counterparts. The articles described substandard living conditions at two Army posts in particular - Fort Stewart, Georgia and Fort Knox, Kentucky. Many of the ill and injured soldiers interviewed at these posts reported having to wait for long periods of time - sometimes weeks and months -- before receiving the medical care they needed.

At about the same time, this subcommittee received reports from several Naval reservists who described problems with the management of their healthcare while in a medical holdover status - especially when they were undergoing evaluations for fitness for duty.

This subcommittee began to closely examine matters related to reserve component participation in the Global War on Terrorism last year with visits to deployed reservists in January, followed by a hearing in April. A key objective of that oversight effort hearing was to determine how well the Total Force Policy was working and whether the active, National Guard, and reserves were truly a seamless force. What we found then was that there were rough edges, cracks and gaps in those seams. We began to take steps to reduce or eliminate them.

Since then, the Total Force has expanded its wartime commitments significantly. Today, the Total Force has just begun the largest wartime deployment and redeployment of forces - more than 250,000 personnel - since World War II. One result will be that the reserve components will comprise at least 40 per cent of the forces deployed in Iraq. Even more relevant for today's hearing, that movement of forces will severely challenge military installations and support systems here in the United States. Therefore, we must continue to be vigilant in our efforts to assure a seamless Total Force.

One key to the Total Force concept is guaranteeing that all our service men and women receive equal consideration and treatment when moving through the military healthcare system. In my view, the Department of Defense stumbled badly last fall in meeting that objective. While the subcommittee is encouraged by the Army's efforts since October 2003 to examine medical holdover problems across the country, the American public and Congress need to be assured that all issues have been fully recognized and solutions are being implemented. We simply cannot afford to repeat the mistakes of the past.

To that end, the subcommittee has several objectives for today's hearing:

We would like to understand, especially from those witnesses with first hand experience with the medical holdover challenges, what is or was the situation at ground level, what led to the problems, how are soldiers and sailors are being treated today, and what are the lessons learned.

We want to understand from a broader perspective what systemic problems the Army and Navy identified as the result of their review of medical holdover issues and how the services are planning to incorporate the lessons learned.

We want to know specific measures the Army and Navy are implementing to assure appropriate medical disposition and living conditions for the medical holdover personnel, not only in the next 6 months but also long-term.

Finally, we want to understand the impact new procedures and policies will have on current resourcing and if there are legislative, policy, and resource changes that are necessary. As the subcommittee prepares the National Defense Authorization Act for Fiscal Year 2005 these are important considerations.

I would like to thank all the witnesses for the dedication they have shown in their various roles. I especially want to acknowledge the service of those here today and all others around the world who are serving in uniform. The Nation has given you dangerous and difficult tasks and asked great sacrifices of you. You are performing superbly.



**STATEMENT OF  
HONORABLE VIC SNYDER**

**JANUARY 21, 2004**

**HEARING ON RESERVE COMPONENT HEALTHCARE:  
MEDICAL HOLDOVERS IN CURRENT AND FUTURE  
DEPLOYMENTS**

**Mr. Chairman, first, let me say I am glad to be back for today's hearing and, as always, I look forward to working with you to improve the quality of life for our military personnel and their families. I join you in welcoming our witnesses. I am interested in hearing their thoughts and concerns on the medical hold issues that have recently been raised, and how we might improve the process and procedures to ensure that our Reservists and National Guardsmen are treated fairly.**

**Unlike many issues that this committee deals with, this matter was not brought forward by the services or the Department of Defense. It was raised to our attention by the press because soldiers felt that they were being treated wrong and unfairly. They came forward out of anger and frustration because many felt that the system—the chain of command—did not adequately respond to their issues and concerns.**

**Recent press articles have created a public perception that the Army was surprised and ill prepared for the numbers**

of mobilized soldiers who were placed on a medical hold status, and that the system that is suppose to support these soldiers has failed. We will hear today that the press reports on Fort Stewart were just the tip of the iceberg. There are thousands of soldiers across the country at various bases that are in a medical hold status and are either awaiting medical treatment or are going through the medical or physical disability system. We have also heard that this problem is not just an "Army" problem. Given the numbers of reservists and Guardsmen being called to active duty for the Global War on Terrorism, we are hearing similar concerns being raised within other services as well.

However, while additional resources may help to resolve some of the issues, time is not on our side. While the total number of soldiers, sailors, airmen and Marines on medical hold has declined since we first started mobilizing troops for Operation Iraqi Freedom, over the next several months the services, especially the Army and Marine Corps will begin to transition forces from Operation Iraqi Freedom and Operation Enduring Freedom. Tens of thousands of service members will be going through the mobilization or de-mobilization process. The Army alone expects to transition between 200,000 to 250,000 soldiers. What does this mean for the medical hold

issue? It means that hundreds, if not, thousands more service members may be placed on a medical hold status further exacerbating a tenuous situation.

Our job today is not to point a finger and blame someone for not doing their job. While it may make for great political theatre, it does nothing to help those reservists and Guardsmen who are sitting at a base, away from their families and jobs, waiting for their fate to be resolved. Instead, we are here to learn what factors lead to this situation, what actions have been taken in the short-term to address some of the more immediate issues, such as inadequate housing and the availability of medical specialties, and what action and resources are being planned in the long-term to resolve these systematic problems that have existed for decades.

Make no mistake; this issue will not go away because Congress holds one or two hearings on this issue. In fact, the transition of troops will require that we continue to monitor the situation to ensure that adequate resources are provided to commanders and the medical community to resolve this problem. More importantly, Congress, as well as the Administration, has an obligation to ensure that systematic reform is undertaken to prevent these problems from re-



occurring each time we call upon on Reserves. Our reserve volunteer service members and their families deserve no less.

Thank you, Mr. Chairman. I look forward to working with you and members of our committee to address this important issue.

**National Gulf War  
Resource Center**



**Presented by  
Steve Robinson  
Executive Director**

**Before the  
House Armed Services  
Committee  
Subcommittee on Total Force  
Regarding  
Reserve Component Healthcare:  
"Medical Holdover"  
Personnel in Current and Future  
Deployments"  
January 21, 2004**

Mr. Chairman, before I begin my testimony, I feel it is important to note that this issue only came to light when soldiers voiced their concerns to their immediate supervisors while on medical hold and were told to "shut up, suck it up and don't write your Congressmen" about conditions or delays in healthcare.

Soldiers then reached out to others to address this problem.

On behalf of the National Gulf War Resource Center (NGWRC), I want to thank the Chairman and other distinguished members for affording us the opportunity to testify before you here today. In years to come, this issue will emerge as one of the most important hearings you will have conducted for Operation Iraq Freedom soldiers. The major troop rotation planned for the next four to six months has the potential to cause further breakdowns in the already strained military medical treatment and evaluation system. According to military officials, this will be the largest troop rotation since World War II. While investigations and Congressional hearings are looking for answers, soldiers placed on "medical hold" will continue to have to deal with a system that is ill prepared to address their needs. It is critical that future soldiers with service disabling conditions placed on medical hold transition seamlessly from Department of Defense (DoD) Healthcare to a Department of Veterans Affairs (DVA) Healthcare system that is responsive, up to date, and fully prepared to receive the wounded from this and future wars.

Many service members survive armed conflict without being physically wounded and they often return to daily life free of health complaints. Previous wars have also shown us that soldiers can survive war without physical trauma and yet suffer psychological trauma that is no less debilitating than an injury from a bullet or bomb. The NGWRC believes the health outcomes from this war will present significant problems that appear to have been overlooked or not emphasized as soldiers return from combat operations.

Reports issued by enterprising reporter Mark Benjamin from United Press International and verified by the NGWRC were delivered to the Senate National Guard Caucus. Senator Kit Bond (R-Mo.) and Senator Patrick Leahy (D-Vt.) then sent staff members to several Army facilities for a first-hand look at the problem. I have attached the initial findings from the Senate National Guard Caucus, as well as their request for a Government Accounting Office (GAO) investigation.

As Executive Director of the NGWRC, my charge is to focus on ensuring the "Lessons Learned" from the first Gulf War are implemented. Soldiers of this war should not have to face the significant obstacles Gulf War and other war veterans have faced when trying to receive care after serving their country.

Because of our Lessons Learned focus, the NGWRC was instrumental in forcing the DoD to comply with Public Law 105-85 section 762-767, which requires pre-



and post-deployment screening for all returning soldiers. After three Congressional hearings and a GAO report, we were successful in forcing Assistant Secretary of Defense for Health Affairs William Winkenwerder to follow the 1997 law and enhance the screening process in a meaningful way.

Based on reporting and physical inspection at several Army Installations, it appears that many National Guard and Reserve soldiers were notified and sent to mobilization centers unfit to deploy or with pre-existing disqualifying conditions. National Guard and Reserve Force Commanders decided to deploy as many bodies as possible to the mobilization sites, regardless of their condition. The failure to screen soldiers prior to mobilization created a situation where power projection platforms such as Fort Stewart were overwhelmed with non-deployable soldiers and returning war veterans. Both groups were then in medical holdover status competing for services and treatments at the same medical facility. Soldiers reported that the Medical Evaluation Board (MEB) process was lengthy and difficult to understand.

Commanders reported that because of the high turnover of National Guard and Reserve physicians, they were in a constant battle to train doctors concerning how to process the MEB. It was also reported that some soldiers were sent to war with disqualifying medical conditions that were ignored or downgraded in order to meet Army Regulations for deployment. While on medical hold, many soldiers reported concern over the high suicide rates and increased rates of Post-Traumatic Stress Disorder (PTSD) from returning war veterans. We are advising the committee to look at the drug administered by DoD called Larium. Our early research indicates it may play a role in PTSD and suicide cases. Ten years ago, veterans were testifying that exposures of the first Gulf War had made them ill. Ten years were wasted because DoD and others ignored the firsthand accounts of war veterans. We hope the committee will aggressively pursue the recommendations we present today. The military will outline the positive steps it has taken to address certain medical hold issues. Our testimony covers the problems soldiers have reported with specific recommendations to correct these problems for the next rotation of troops to and from Iraq. Because time is limited, I will highlight the most important issues and look forward to the questions of the committee.

**Department of Defense Health Affairs Policies:** Four days after the start of Operation Iraqi Freedom, Assistant Secretary of Defense for Health Affairs William Winkenwerder testified on March 25<sup>th</sup> that pre-deployment screening was not necessary, even though it was required by law and DoD Health Affairs Policy 99-002 issued October 6, 1998. Under Doctor Winkenwerder's leadership, the Army failed to pre-screen thousands of deploying soldiers headed to Operation Iraqi Freedom. Unbelievably, one month later Doctor Winkenwerder reversed his position, announcing that screening was suddenly important and that DoD would enhance the post-deployment screening process. This enhancement included more questions on a post-deployment form and some limited emphasis on PTSD

screening. However, the policy reversal continues to ignore things we may be doing to ourselves. Gang vaccinations with the Anthrax and Botulism vaccines, the use of Larium, and the lack of hyper vigilance for the signs of PTSD all combine to create a healthcare crisis if left unattended. The policies listed below are the most egregious failures of DoD policy and require immediate Congressional oversight:

**Pre-deployment screening not conducted prior to departure from MOB site**

– The intent of pre-deployment screening is to identify who is fit to deploy, and to document their medical condition prior to deployment. This documentation is critical because it gives a snapshot in time of the soldiers' health that will be used after the deployment to determine if there are any service connected injuries. Based on conservative estimates, as many as one-third of the citizen-soldiers at one Army base were deployed to the MOB site with service disabling conditions. Because of this fact, Garrison Commanders suddenly became overwhelmed with returning wounded and non-deployable soldiers. Many soldiers reported that their service disabling conditions were down-graded by local unit commanders during the pre-deployment process. This act in effect ignored established medical diagnosis in order to send the soldier to Iraq. Congress should investigate the cost to US taxpayers for sending non-deployable soldiers to mobilization sites.

**Recommendation** – Pre-deployment screening must take place at the home station prior to arriving at the MOB site. The National Guard and Reserve Forces must not send forward anyone who is not fit and qualified to deploy. Soldiers with pre-existing disabling conditions that prevent them from deployment should be rehabilitated, reclassified, left behind, or face the MEB. The practice of downgrading medical profiles by unit commanders must cease immediately. Congress must address the physical readiness of the National Guard and the Reserve through TRICARE for Guard and Reservists. This will ensure that every member of the Guard and Reserves has adequate health insurance coverage and is medically ready to deploy.

**Post-deployment screening and mental health assessments** – Post-deployment screening is designed to record the soldier's current injuries and determine if mental health counseling is necessary. This screening completes the deployment cycle and the documentation may later be used as evidence for claims with the Department of Veterans Affairs. Failure of local commanders to ensure this process is completed accurately will harm soldiers down the road when they file VA claims. Another part of post-deployment screening is the mental health assessment. This committee should be fully aware that suicides are up in Iraq and here at home. Just 10 days ago, an Operation Iraqi Freedom soldier hung himself at Walter Reed Army Medical Center. Other reports of suicide have surfaced at military installations both stateside and in Europe. The NGWRC toured several military installations recently, and most soldiers we spoke with still report that they have received little to no counseling regarding

traumatic events experienced during war. Similarly, the medical commanders report saturation in their ability to care for psychological issues. The commanders are forced to out-source appointments and therapy to the Department of Veterans Affairs or civilian providers. There are shortages in qualified providers, beds and command emphasis to treat those who need counseling most. Nowhere is this apparent disregard for psychological injuries more apparent than in the case of Sgt. George Andreas Pogany, who was charged with cowardice. Nearly three months after returning from Iraq, he is just now being afforded care for the trauma he experienced in Iraq.

**Recommendation** – Post-deployment screening and mental health assessments must be completed with 100% compliance. Aggressive mental health counseling and programs must be afforded to the returning soldiers. Congress must conduct oversight now to ensure the programs are implemented force-wide. Soldiers recommend that Veteran Service Officers be allowed access to returning troops. The VSOs should be used to augment existing programs. VSOs have had combat experience and are certified in benefits preparation. They also provide a friendly shoulder, because they know what the returning soldiers are going through. If DoD cannot aggressively meet the needs of medical hold soldiers, then they should enlist the help of those who stand ready to assist.

**Larium use and increased risk for disastrous side effects** – Suicides are up at home and in Iraq. Psychological injuries are increasingly more prevalent in this war as compared to the 1991 Gulf War. The product's manufacturer Roche Pharmaceuticals recommends not prescribing Larium for anyone with "active depression." Recently, Marine Corps 2<sup>nd</sup> Lieutenant Christopher Shay committed suicide just days before returning home from the region. By all accounts he was top of his class, deep selected for difficult missions, and a dedicated Marine. 2<sup>nd</sup> Lieutenant Christopher Shay took his own life after 12 requests for assistance from his ship's physician Capt. Prokes within a thirty-two hour period. After his death, the family asked why such a talented young man would take his own life and could Larium have had any factor in their sons death? The response from the military stated that the soldier was not issued Larium and that Larium could not be associated with his death. After conducting their own civilian forensic investigation, the family found out this was not true. The point is, the military is ignoring this drug's known side effects. In some cases, they are lying to family members and act as if they are baffled by the high suicide and depression rates. The Pentagon refuses to consider the obvious side effects Larium produces in the combat scenario. The product label clearly states that this drug is not to be given to those who may be depressed. Dr. Winkenwerder recently said, "Each one of these suicide events are investigated. But we don't see a trend there in looking at these cases that tells us there is more we might be doing to prevent suicides."



**Recommendation** – I challenge this Committee to ask Dr Winkenwerder if the side effects of Larium were considered in the DoD suicide investigations. I want to know why stateside suicides are not counted in the total number of suicides reported by DoD. Soldiers want to know if Larium is a factor in exacerbating PTSD. Either way, there appears to be a significant increase in both suicides and PTSD. Public Relation's spin and delay will not serve our warriors. Lessons learned from the first Gulf War should make us hyper vigilant as our soldiers return home, and this drug needs to be investigated to determine if it is harming and in some cases killing our own soldiers.

**Medical Holdover:** Active Duty, National Guard and Reserve soldiers are kept in medical hold while they await either medical care or medical disposition. The purpose is to treat soldiers so they might return to duty; assign them a profile; or discharge them from service after their medical conditions have been diagnosed and assessed. The inspections of several mobilization and demobilization sites uncovered significant problems with the Army's mobilization system. Commanders from two of those sites will detail their command views on the issue today and what they have done to correct the problem. I would like to focus on the soldiers' perspective, what they think is important, and the suggestions they have given the NGWRC to correct the problem.

**Insufficient housing** – There is insufficient housing at most Army bases across the country to house Reservists on medical hold. This issue is not new and was experienced during the 1991 Gulf War.

**Recommendation** – Accurately plan for the numbers of soldiers who will deploy through the mobilization and demobilization sites. Forecast and budget for returning wounded soldiers. If possible, allow Guard and Reserve soldiers to Med Hold and MEB at their home stations using existing VA facilities for treatment while paperwork is being processed. If all else fails, send soldiers to other installations near their home stations so they can recover while near their families. Additionally, the soldiers request that the World War II era housing be upgraded or replaced with 21<sup>st</sup> Century structures.

**Shortage of doctors** – Soldiers report a shortage of doctors. This shortage is what created the significant delays in medical care. This problem is compounded by the limited amount of time Reserve and Guard physicians augment the Military Medical Treatment Facilities. Most clinicians and specialists called to active duty were deployed forward, and those remaining in the States can stay on duty for only 90 days before returning to their civilian practices.

**Recommendation** – Soldiers suggest the utilization of existing Veterans Health Administration facilities near their home stations. They also suggest immediately augmenting facilities that are overwhelmed rather than allowing the system to bog down over time.

**Not listening to soldier issues** – Soldiers are required to obey the orders of the President of the United States and the orders of the officers appointed over them. They are not required to follow orders that are unlawful or orders that place them in an ethical or morale dilemma. Should there be an occasion in which a soldier believes such an order has been issued, he should see fit to challenge the order and may even refuse to perform until the issue has been addressed with the proper authority. The order to “shut up, suck it up and don’t write your Congressmen” clearly fell into this category.

**Recommendation** – Listen to your soldiers. The complaints received at each installation we visited spanned the entire rank structure from Private to Command Sergeant Major, and from Second Lieutenant to Lieutenant Colonel. The soldiers suggest that a permanent Reserve or Guard liaison be responsible to address all soldier issues to the local Garrison Commander.

**Medical Evaluation Boards:** Medical Evaluation Boards are a complicated and paper driven process. The MEB requires soldiers to produce documentary evidence of service related injury. The pre- and post-deployment screening, along with medical records and evaluations, will be used to determine the disposition of the soldier.

**Soldiers deployed with pre-existing medical conditions now face MEB** – In visits to three military installations, we encountered many soldiers who we sent to Iraq with service disabling conditions because commanders downgraded their existing profiles. Many soldiers successfully completed combat operations in Iraq where these service disabling conditions were exacerbated. Upon return to the United States and in out processing, these soldiers reported their exacerbated conditions and were told the conditions were not service connected because they were pre-existing. Then to add insult to injury, many were boarded out of the military for the same condition that should have prevented them from deploying in the first place.

**Recommendation** – Local commanders must be stripped of the ability to downgrade profiles for the purposes of deployment. The GAO may need to investigate this practice and determine the extent it has prevented soldiers from obtaining a true diagnosis and disability rating for the service connected injuries they suffered while serving their country.

**Shortage of doctors to process MEBs** – Critical Skills Retention Bonuses do not create incentives that encourage National Guard doctors to volunteer for long rotations. Doctors rotate every 90 days. Once they become proficient the next doctor rotates in and must be trained.

**Recommendation** – The National Guard and Reserve doctors who will be tasked to conduct MEBs need to be proficient prior to deployment. The National Guard and Reserve should consider deploying with administrative experts who

can assist the Garrison and their own soldiers through the process. Additionally, the military needs to develop and distribute a MEB self-help guide at the demobilization site.

**Bottom Line –** The problems faced Army-wide related to Medical Hold soldiers should never have happened in the first place. It is unclear what action, if any, would have been taken had the conditions at these bases not been exposed by UPI and NGWRC and then aggressively investigated by Senators Kit Bond and Patrick Leahy. Educating military personnel about their rights and responsibilities should they be placed on medical hold will do much to alleviate the frustration and anger that are born of uncertainty. Another key to preventing future situations like the one at Fort Stewart is having enough medical and administrative resources available to meet the needs of reserve and active duty personnel.

The military needs to aggressively investigate and correct deficiencies before they become major problems. The Army response to the Fort Stewart catastrophe is to be applauded. However, crisis management should not be the norm when it comes to the proper medical care and treatment of our war-wounded veterans.

DoD directives must spell out plainly that Reserve soldiers should not be penalized, but rather encouraged to promptly report medical conditions that affect their ability to deploy. Reserve unit commanders must be required to immediately follow up these claims with physical examinations to determine medical status of individuals before units are activated.

Borrowing a line from Command Sgt. Major Michelle Jones, a top Reserve NCO, "The reason that soldiers won't re-enlist is not because they're mobilized, but the way they are treated on active duty."

We can do better. We owe it to the soldiers and we owe it to the nation. If we fail, then we jeopardize the concept of the all volunteer force. The military and the Government must uphold the sacred covenant made between soldier and country.



**National Gulf War Resource Center  
Funding Statement**

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Stephen L. Robinson

Steve Robinson entered the Army on September, 28, 1981 and on completion of basic training and Airborne School, he was assigned to C co 1/75 Ranger Battalion where he earned his Ranger Tab and Black Beret. Steve Robinson has served in a wide variety of assignments to include; the Ranger Battalion, 24th Infantry Division, 1/10th Special Forces, Ranger Instructor Florida Phase, Long Range Surveillance Detachment Team Leader in Korea, Military Science Instructor, and finally as the NCOIC, Preliminary Analysis Group, Investigations and Analysis Directorate, Office of the Special Assistant to the Secretary of Defense for Gulf War Illnesses, Medical Readiness, and Military Deployments from February 1999 through September 2001.

During this period, Mr. Robinson was actively involved in all aspects of the organization's mission. He served as the Senior Non-Commissioned Officer to the Preliminary Analysis Group and assistant to the Executive Officer for all immediate response and request for information

Steve has held a wide variety of leadership positions. He served as a 60mm mortar gunner and 90mm recoilless rifle gunner, FDC assistant and FO controlling Joint CAS/Artillery. He has served as a Squad Leader in two Mechanized Infantry Battalions and was the Branch Chief of the Mountaineering Phase of Platoon Confidence Training Course in Bad Tolz, Germany. He also augmented C co 1/10th ODA 32 during Operation Provide Comfort after the Gulf War to repatriate the Kurds. After successful completion of a twenty-year military career, Steve Robinson continues to serve his country and his fellow soldiers. He has accepted the position of Executive Director of the National Gulf War Resource Center, a non-profit organization that helps veterans of the Gulf War and protects soldiers of today's Army. In this capacity, Mr. Robinson serves as a representative for the organization and it's agenda to veterans, congress and the media.

Steve Robinson is married to the former Patricia A. Tomlin of Cape May Court House, New Jersey.

**Statement by Patricia D. Hicks  
Director, Citizen Advocacy Center**

**Subcommittee on Total Force  
House Armed Services Committee  
United States House of Representatives**

**Reserve Component Healthcare:  
Medical Holdover Personnel in Current and Future Deployments**

**January 21, 2004**

Mobilized Naval Reserve component personnel with service-related injuries, illnesses and diseases have experienced significant problems when ordered to demobilize before they are "fit for duty" and also in accessing needed medical care during geographical transitions. Numerous Navy procedures and policies exist to govern these issues, but some are not being followed and others need to be modified given the increased dependence on the reserve force.

***Challenges Faced By Mobilized Reserve Component Personnel***

Incapacitated Reservists that are demobilized before they are truly "fit for duty" can find themselves under extreme emotional, physical and cash-flow stress. These Reservists return to their homes and one of 160+ Reserve Centers across the United States. There they begin complying with Notice of Eligibility/Line of Duty (NOE/LOD) paperwork and Incapacitation Pay requirements as well as applying for Tricare coverage. They have family reunification issues, as well as reemployment concerns.

Although significant documentation of their injuries, illnesses or diseases was completed while at the Navy Mobilization Processing Site (NMPS), incapacitated Reservists must repeat much of that paperwork at their Reserve Centers when applying for their NOE/LOD. If they are unable to return to work, they will need to complete Incapacitation Pay forms, but only after their NOE/LOD is approved, which can take up to six weeks. The Incapacitation Pay review process can take another four to six weeks, meaning that Reservists can go for several months without income. Naval Reservists are not paid, or otherwise given credit, for their trips to the Reserve Centers to complete these procedural requirements.

Employer issues are another complicated and difficult area for incapacitated Naval Reservists. The Reservists report back to work, but may require significant time off for appointments, surgery and post-surgical care and therapy. Because many of the injuries are orthopedic, the recovery time can be as long as six months. Employers and Reservists are confused about what accommodations the employer must make as well as the documentation the employers need to submit to the Navy for incapacitation verification.

Employers also face liability and legal concerns over the decision of whether they allow the incapacitated Reservists to return to work. The Reservists are worried about jeopardizing their civilian jobs or advancement potential because of the complications to their employers due to medical issues. The cash flow and financial problems faced can be overwhelming, especially if the Reservist is a single parent or the main wage earner. Health care coverage for the Reservists and their families is another critical area. The NOE/LOD only covers the Reservist for treatment specifically related to the service-related injuries, illnesses or diseases.

The physical, emotional and financial toll of being released from active duty while still requiring significant medical care is considerable. Many Reservists are confused and angry over what has happened to them. They have received conflicting information regarding their treatment, benefits, and required documentation from their demobilization site (NMPS), Reserve Center, Tricare Office, and Personnel Support Detachment (PSD) staff. Several of these offices are only open regular business hours on weekdays requiring the Reservists use personal time to resolve issues.

There have been significant delays in processing their paperwork. Reservists have had problems receiving assistance from Reserve Center and Naval Reserve headquarters staffs. They have been told that because they were on active duty, even though they were in the process of deactivating, the Fleet was responsible for all issues.

Another area of frustration and anger is the delay in receiving medical care after demobilization. Even though their active duty doctors determined a diagnosis and a recommended course of treatment, the Reservists must repeat much of the earlier medical testing at their local military medical facility or Tricare provider. In some cases Reservists have experienced a multiple month delay in appointments and treatments.

### ***Procedural Problems***

VADM Cowan's March 23, 2003 statement to the Subcommittee on Total Force "Yet one thing is certain – no organization in the world provides healthcare from the foxhole to the ivory tower the way Navy Medicine does" is absolutely accurate. On the whole, Reservists have high praise for the medical care they have received from Navy medical professionals, and they trust the advice and course of treatments recommended by their active duty doctors. Navy medical doctors have been strong advocates for their reserve patients.

However, the problem for injured, ill or diseased Reservists isn't the quality of medical care – it is the procedural access to medical care.

Secretary of the Navy instruction 1770.3C mirrors Secretary of Defense instructions concerning the care of incapacitated Naval Reserve members. It states, in part, that the care of sick, injured or diseased reserve sailors who are on long term orders, "shall, with the member's consent, be continued on active duty until the member is determined fit for duty, or until the resulting incapacitation cannot be materially improved by further



hospitalization or treatment and the case has been processed and finalized through the DES.”

[Paragraph 10, Release from Duty Status SECNAV Inst 1770.3C 03APR 02]

Most of the turmoil experienced by these Reservists would be eliminated if they were kept on active duty until they were “fit for duty.”

The consequences to the Navy can be significant. These sailors cannot be remobilized because they aren't fit for duty. Again, VADM Cowan's March 2003 statement concerning defense health very clearly states how imperative appropriate and complete medical treatment is to our national security:

As we move into this new millennium, our Navy and Marine Corps men and women are called upon to respond to a greater variety of challenges worldwide. This means the readiness of our personnel is now more important than ever. Military readiness is directly impacted by Navy Medicine's ability to provide health protection and critical care to our Navy and Marine Corps forces, which are the front line protectors of our democracy.

The Navy needs a reserve force that is fit to fight. Reserve sailors have been demobilized before all their scheduled tests are completed and diagnoses are available. They have been demobilized while still needing surgery. They have also been demobilized even when their active duty doctors and surgeons indicate they should remain on active duty. Sailors are being sent home before they are actually healthy enough to remobilize, and are immediately found Temporarily Not Physically Qualified (TNPQ) upon return to their Reserve Centers. The nation suffers because our fighting force is reduced due to illness and injury. The Reservists suffer because they are denied the care, salary and benefits that they are entitled to and need to heal properly. Employers are wrestling with difficult issues and the families suffer financial and emotional stress.

It appears as though there is a conflict between the goal of Navy Medicine and the goal of the demobilization site. The goal of Navy Medicine is to keep our forces fit to fight. The goal of a demobilization site is to demobilize Reservists. Pressure to reduce the active duty numbers, regardless of injury, illness or disease, is harmful to the Reservist and the service as a whole. It breeds mistrust and anger. These are men and women who willingly left their families, homes and businesses to serve their country in a time of great need. They expected and deserved to remain on active duty until they were healed and back in combat condition.

For injured Reservists, the move to a demobilization site in the United States for medical care and out-processing is also a cause for disruption in medical care. Of course the sailors understand that they must build relationships with different doctors at their new geographical locations, but they do not understand why there are lengthy delays in arranging for doctor, therapy and diagnostic appointments at every new location. In a number of cases more than one month has elapsed before necessary medical treatment has resumed in the new location. There is no coordination of care for the Reservists.

Upon demobilization, when the move from the active duty medical system to the Tricare system takes place, more disruption occurs. The sailors arrive back at their Reserve Centers to discover that no medical appointments have been scheduled. Again another wait for resumption of needed medical care. This also occurs for both reserve and active duty forces when they are medically retired and transferred into the Veterans' Administration healthcare system.

### *Department of Defense Procedure and Policy Changes*

1. Clarify the current instruction concerning demobilization of injured, ill or diseased Reservists to define "fit for duty" as being fit for the mobilization duty expected of the Reservist. The Department of Defense, with its responsibility for national security and defense, relies on a healthy reserve fighting force, and its procedures are designed to achieve that goal. All Navy personnel assigned the responsibility of determining whether a Reservist is healthy enough to be demobilized need to consider first how to deliver medical care that will return Reservists to combat deployable status as expeditiously as possible.
2. Require a written list of accommodations that the employer will make for the returning Reservist prior to demobilization. This will alleviate employers and Reservists concerns over a return to work while the Reservist is still recovering from a service-related injury, illness or disease,
3. Require complete physicals in addition to health record reviews prior to demobilization. In some cases Reservists have been told that their medical problems were pre-existing and are not covered. Once the military decides to mobilize a Reservist, any medical situation that occurs in the line of duty should be covered.
4. Provide each Reservist with a healthcare advocate to provide guidance on procedures and benefits, as well as schedule advance appointments prior to a transition, is necessary to ensure proper medical care is received in compliance with doctor's orders. The significant delays in accessing military medical care after a change in geographical location or a change in status from active duty to reserve need to be minimized or eliminated. This advocate would follow the Reservist through all location and status changes, and would be able to provide assistance tailored to the individual Reservist needs. Creating a new unit or bureaucracy to provide this care would be difficult and expensive. In addition, the number of incapacitated Reservists would determine the staffing needs. An immediate and perhaps permanent solution would be to designate the Naval Reserve Center Commanding Officer as the formal advocate for the Reservist. This is a logical choice as the Naval Reservist was temporarily mobilized from the Reserve Center and will return to the Reserve Center. The Naval Reserve Center Commanding Officer will continue to lead this member after he or she has deactivated.

### **Biography**

Patricia Hicks is a Director, and past President, of the Citizen Advocacy Center located in Elmhurst Illinois. She received a Bachelor of Arts degree in Urban Studies and Geography/Environmental Management from Elmhurst College, and will complete her Master of Arts in Teaching from Dominican University in June 2004. Ms. Hicks holds an Illinois Teaching Certificate and is employed by Winnetka School District 36, Winnetka, Illinois.

In addition to her advocacy on environmental, educational, and governmental issues, Ms. Hicks has worked closely with military officers and Illinois officials to implement procedures and legislation to assist military Reservists and guardsman along with their families. Over the past five months Ms. Hicks has been an advocate for incapacitated Reservists, providing them with advice and tools to access their elected officials.

### **Citizen Advocacy Center Elmhurst, Illinois**

The Citizen Advocacy Center, founded in 1994, is a non-profit, non-partisan community based legal organization. The Center is dedicated to building democracy by strengthening the citizenry's capacities, resources and institutions for self-governance. To accomplish this the Center provides public training and education, monitors local government bodies to ensure accountability, and advocates and litigates on behalf of citizens to sustain access to justice.

The Center is financially supported by individual donations and foundation grants and does not accept government or corporate money.



**STATEMENT BY**

**COLONEL JOHN M. KIDD  
GARRISON COMMANDER  
FORT STEWART, GEORGIA**

**BEFORE THE**

**TOTAL FORCE SUBCOMMITTEE  
COMMITTEE ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES**

**SECOND SESSION, 108TH CONGRESS**

**Reserve Component Healthcare: Medical Hold over Personnel in Current  
and Future Deployments**

**21 JANUARY 2004**

**STATEMENT BY  
COLONEL JOHN M. KIDD  
GARRISON COMMANDER  
FORT STEWART, GEORGIA  
RESERVE COMPONENT HEALTHCARE: MEDICAL HOLD OVER PERSONNEL IN  
CURRENT AND FUTURE DEPLOYMENTS**

Congressman McHugh, It is a great pleasure to appear before you today to discuss Mobilization Holdovers on Ft. Stewart and Hunter Army Airfield.

Our post is the Army's premier power projection platform on the United States East coast. It is home to 20,000 soldiers of the Army's 3<sup>rd</sup> Infantry Division, who spearheaded the Army's advance into Baghdad in Operation IRAQI FREEDOM last year. Hunter Army Airfield's 12,000 foot runway, Truscott Deployment Center and Ft. Stewart's proximity to the ports of Charleston, Savannah and Jacksonville combined with its 280,000 acres of training area and the facilities of the National Guard Training Area make it one of the Army's busiest mobilization centers. In the last 15 months, Ft. Stewart has mobilized 23,000 National Guard and Army Reserve soldiers; we currently have 5,300 mobilized soldiers on Ft. Stewart preparing for deployment.

Mobilization is a tough mission and taxes every resource of the installation. Ft. Stewart typically has a population of 15,500 service members and currently has a census of nearly 23,000. Hunter Army Airfield's military population has risen from 4,800 to nearly 6,000 during the mobilization period. The post also supports 32,000 family members and 30,000 retirees. The sheer number of soldiers and volume of activities on our post requires the patience and cooperation of each and every resident in support of mobilization. The impact of this activity is most acutely felt in our medical treatment facilities; since the beginning of OIF we have experienced a 33% growth in outpatient appointments (43,000 vice 33,000 per month).

Of the 23,000 soldiers who mobilized at Ft. Stewart, we currently have 684 soldiers assigned to the Mobilization Holding Battalion (Provisional) in a "medical hold" status. This status includes soldiers who were not medically qualified for deployment and soldiers who have returned from theater with illness or injury. All of these soldiers receive regular medical care and are billeted in a combination of the 3<sup>rd</sup> Infantry Division's barracks and local hotels. (A small number of soldiers from the local area reside with their families.) Of the 684 "medical hold" soldiers, 282 did not medically qualify for deployment and 402 returned from theater due to illness or injury.

Leadership for these soldiers is provided by the Mobilization Holding Battalion, made up of cadre from the 3<sup>rd</sup> Infantry Division and the Ft. Stewart Garrison, who's mission is to provide command and control over all Reserve Component soldiers in a holding status (Medical or Administrative) at Fort Stewart, GA and work towards returning them to their parent unit or civilian life. The intent is to provide caring, effective leadership to the soldiers of this battalion so they can navigate through their medical and administrative processes in a timely manner. The organization receives 30-50 new medical holds per week and releases a similar number either returned to theater or released from active duty.

Soldiers in medical hold require specialized administration and leadership, which exceed that normally found in units of this size. Each and every soldier requires daily management to optimize the care he or she receives and to ensure that his or her needs are looked after. Additionally, soldiers who are to be released from active duty have long processes through a series of boards; great care must be exercised to ensure that each soldier receives due process in case of reclassification and disability.

In November, Winn Army Hospital opened Troop Medical Clinic (TMC) # 4 to provide specialized services to the Mobilization Holding Battalion. Staffed with physicians, case managers and other health care professionals, TMC # 4 orchestrates the medical care and administration of this group of soldiers, ensuring that each soldier is assisted in treatment requirements.

The Installation Management Agency has undertaken an aggressive program to provide new barracks structures at the major mobilization stations to enable medical hold soldiers to be billeted in close proximity to the treatment facility. Ft. Stewart is scheduled to receive 600 spaces in March of this year.

The United States Army is absolutely committed to taking care of our People. We always have and we always will. We are providing, and will continue to provide all Soldiers, regardless of component, the best health care available. Ft. Stewart will make every effort to ensure all Soldiers are treated fairly and with the respect they have earned for their service to the Nation.



**STATEMENT BY**

**COL KEITH A. ARMSTRONG  
GARRISON COMMANDER  
FORT KNOX, KENTUCKY**

**BEFORE THE**

**TOTAL FORCE SUBCOMMITTEE  
COMMITTEE ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES**

**SECOND SESSION, 108TH CONGRESS**

**Reserve Component Healthcare: Medical Hold over Personnel in Current  
and Future Deployments**

**21 JANUARY 2004**

**STATEMENT BY  
COL KEITH A. ARMSTRONG  
GARRISON COMMANDER  
FORT KNOX, KENTUCKY  
RESERVE COMPONENT HEALTHCARE: MEDICAL HOLD OVER  
PERSONNEL IN CURRENT AND FUTURE DEPLOYMENTS**

Good morning Congressman McHugh and committee members, and thank you for the opportunity to speak with you about medical holdover issues. It is an honor to be here today. I hope to shed some light on the issue, and I look forward to addressing your questions. We believe that Fort Knox's role in the Global War on Terror is an important one, and we have approached that task with vigor since September 11, 2001.

Fort Knox's primary mission is to train Soldiers and Marines - Private to Colonel - to become tankers and cavalymen of distinction, and we believe the success of the 3<sup>rd</sup> Infantry Division and the 1<sup>st</sup> Marine Expeditionary Force are testament to our ability to equip Soldiers and Marines with basic combat skills that allow them to fight and win our nation's wars.

Fort Knox is proudly supporting the Global War on Terror as one of the Army's power support platforms. Our primary wartime mission is to establish and conduct CONUS Replacement Center and Training Base Expansion operations, but due to the significant number of reserve component forces activated in support of Operations Noble Eagle, Enduring Freedom and Iraqi Freedom, Fort Knox was designated a power projection platform. Army Regulation 5-9, Area Support Responsibilities, 16 October 1998, identifies Fort Knox as the supporting installation for Fort McCoy and Camp Atterbury. Within these guidelines, the medical treatment facility at Fort Knox, Ireland Army Community Hospital, has medical oversight of the three power projection platforms where over 30,000 Soldiers have been mobilized. The majority of these Soldiers are from the Army Reserve or National Guard; only two companies from the active component processed to date. Of the 30,000+ mobilized soldiers, we placed just over 900 total in medical hold status, never exceeding more than 450 at any one time. The vast majority of the medical holdover population handled by Fort Knox never deployed with their unit, many of whom had chronic diseases or injuries requiring extensive treatment regimens.

Billeting medical hold Soldiers has been as great a challenge at Fort Knox as it has at any other servicing installation. The hospital Commander, in

consultation with me, decided that it would be prudent to move the medical holdover soldiers into a facility nearest to the hospital. The hospital commander vacated the permanent party barracks moving those active duty soldiers to other barracks or allowing them to move off-post to free up a 187-bed facility immediately adjacent to the hospital. Soldiers that had significant mobility issues were housed within the hospital itself.

During a period last Summer (May – August) Fort Knox experienced a significant increase in mobilization requirements, while at the same time supporting a surge in basic training, the United States Military Academy Mounted Maneuver Training, Reserve Officer Training Corps Troop Leader Course, and the Stryker Initial Operational Test and Evaluation. As a result of these training loads, there was a time that active duty soldiers on temporary duty at Fort Knox to support training, mobilizing soldiers and some medical holdover soldiers were housed in open bay or former permanent party barracks. In August as training requirements lessened, we were able to move medical holdover Soldiers to facilities with dormitory-style rooms, dayrooms and easy access to dining facilities. Soldiers are provided transportation to and from the hospital to meet appointment schedules, to and from the Post Exchange and Commissary, entertainment and dining facilities.

Ireland Army Community Hospital provides medical support to Fort Knox, Fort McCoy and Camp Atterbury – active duty, reserve component and retiree – while continuing to provide health care for the Fort Knox greater community. Simultaneously with that mission, health care demand in theater required the deployment of some Fort Knox medical personnel. To offset these shortfalls, United States Army Medical Command mobilized medical personnel to fill shortages; we expanded our use of the TRICARE network and increased contract support.

In July 2003, Ireland Army Community Hospital initiated several policies to expedite medical hold care management to include: medical holdover priority for specialty care; establishing a separate primary care clinic and nurse case managers to control and/or monitor medical holdover Soldier care; expanding physician contracts to increase access to care; and increasing MRI access through a collaborative effort with the Veterans Affairs Hospital, Louisville.

Fort Knox established and currently maintains two medical holdover companies with Company Commander/First Sergeant oversight to ensure quality of life issues are addressed. Medical holdover soldiers are part of the company chain of command to assist with command and control, appointment management and assignment of other duties within their



military occupational specialty that are within limits of their medical profiles.

Fort Knox is committed to providing quality service to all of our soldiers (active and reserve), families and retirees. We will continue to support the war effort and provide for the community as a whole - always to the best of our ability. Thank you.

NOT FOR PUBLICATION UNTIL  
RELEASED BY THE  
HOUSE ARMED  
SERVICES COMMITTEE

STATEMENT OF  
VADM MICHAEL L. COWAN  
SURGEON GENERAL OF THE NAVY  
AND  
RADM JOHN M. STEWART, JR.  
DEPUTY COMMANDER, NAVY PERSONNEL COMMAND  
BEFORE THE  
HOUSE ARMED SERVICES COMMITTEE  
TOTAL FORCE SUBCOMMITTEE  
ON  
RESERVE COMPONENT HEALTHCARE:  
MEDICAL HOLDOVER PERSONNEL IN CURRENT  
AND FUTURE DEPLOYMENTS  
21 JANUARY 2004

NOT FOR PUBLICATION UNTIL  
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HOUSE ARMED  
SERVICES COMMITTEE

## **Introduction**

Mr. Chairman and distinguished members of this subcommittee, both of us want to thank you for this opportunity to address the House Armed Services Sub-Committee on Total Force on Reserve Component Healthcare: Medical Holdover Personnel in Current and Future Deployments. The Navy Personnel Command and the Bureau of Medicine and Surgery, along with the Naval Reserve Force, are dedicated to ensuring seamless, world-class healthcare for our Naval Reservists, who, after being called to duty away from family, friends and work to serve their country, are getting ready to be released from active duty to go home.

## **Background**

Beginning September 2001, the United States Navy began its largest mobilization since Operations Desert Shield/Desert Storm ten years earlier. More than 22,000 Naval Reservists have been mobilized since the terrorist attacks of September 11th, 2001. Since then, more than 18, 900 have been demobilized, and of these, 1,585 have been evaluated for medical holdover (MEDHOLD) to resolve conditions that arose or were aggravated while on active duty. Currently, only about 100 cases – or one-half of one percent of all Naval Reservists mobilized - remain on active duty in MEDHOLD status.

A major lesson Navy learned from Desert Shield/Desert Storm was that we needed centralized locations for Reservists who were mobilizing and demobilizing with access to personnel, dental and medical systems, facilities, and technical expertise. By 1996, Navy had developed the Navy Mobilization Processing Site (NMPS) concept, with 15 sites established worldwide under the cognizance of the Navy Regional Commander to address Reserve mobilization/demobilization issues of orders, pay, medical/dental/legal screening, equipment issue, and transportation. This system has paid huge dividends during the Global War on Terrorism, with very few medical, dental, or pay issues, all of which were problematic for



thousands of our Reservists in 1991, adversely affecting recruiting and retention for years afterward.

In June of 2003, following the conclusion of major combat operations in Iraq, Navy began rapidly demobilizing those Reservists whose mission was completed, returning them to family and employers as quickly as possible. Anticipating a spike in medical cases during demobilization, Navy Personnel Command elected to relocate all MEDHOLD cases that would involve extended care to Norfolk and San Diego, providing best access to our extensive medical capacity at Naval Medical Centers at Portsmouth and San Diego combined with close case management to expedite resolution. As a result, only 104 MEDHOLD cases remain active today, most of which require a Physical Evaluation Board (PEB) for disability level determination.

The vast majority of Naval Reservists were mobilized and demobilized seamlessly. But some 15 complained to the Navy Inspector General, members of Congress and civilian advocacy groups stating the demobilization process for Naval Reservists with pending medical problems is flawed. The majority of these complaints involved Navy's interpretation of 10 U.S. Code 1074, Medical and Dental Care for Members and Certain Former Members, and Secretary of the Navy Instruction 1770.3, Management and Disposition of Incapacitation and Incapacitation Benefits for Members of Navy and Marine Corps Reserve Components. Their specific complaints centered on Navy's policy to demobilize Reservists once they are determined to be medically "fit for duty," and a few Naval Reservists expressed the belief that they should be retained on active duty until all medical conditions that arose during mobilization are totally restored to a pre-mobilization status. These few objected to what they felt was premature demobilization.

### **Navy Inspector General Findings**

The Navy Inspector General investigated the complaints, and upheld Navy's policy while making suggestions to improve the process. Follow-on questions from a staff member of this committee expressed concern about the appropriateness of the process and continuity of care following demobilization. In response, a team of Navy experts was sent to visit San Diego last month to review the procedures in place and discuss grievances with five members who had made complaints. A similar visit to Norfolk will occur tomorrow (January 22, 2004).

### **Working Group Findings and Responses**

This group made several findings, and recommended implementing policies and procedures that will enhance the seamless transition of Reservists with medical issues back to their civilian lives. These include:

- Navy's desire to rapidly demobilize Reservists created a climate in which the Navy Mobilization Processing Sites (NMPS) staff often felt pressured to rush personnel through the process as fast as possible. In response, the visit team reassured the NMPS that they have the responsibility, and full authority, to delay demobilization of any Reservist as necessary to properly care for our personnel.

- Some NMPS San Diego staff members were identified as having weak inter-personal skills when working with demobilizing Reservists, sometimes creating an adverse environment. In response, the NMPS Officer-in-Charge (OIC) is addressing this issue on an on-going basis to improve customer service skills.

- NMPS San Diego and Naval Medical Center San Diego failed to ensure Reservists knew how to access follow-on medical care upon their return home, whether it was through the Notice of Eligibility/Line of Duty entitlement or through their TRICARE 180 day transitional benefit. In

response, revised procedures are being developed to include additional education and points of contact on where to get information, and written check offs. They are expected to be implemented shortly.

- Healthcare providers at Naval Medical Center San Diego didn't have training in the demobilization procedures for Reservists with pending medical issues, which created miscommunication among the healthcare professionals at the NMPS, the Reservist and the healthcare provider at the medical center. In response, Naval Medicine now has in practice an individual at each MTF who will be the subject matter expert and liaison to work with Reservists and the NMPS. Formal policy is being developed and we anticipate it will be ready in the very near future.

- The incomplete or misunderstanding on the part of the Reservists of their follow-on plan of care, and, in a few cases, information missing from their medical record upon their demobilization was a concern for some Reservists in San Diego. In response, NMPS will thoroughly review the record for completeness and the medical center will provide any available missing reports that might not be available through NMPS's Composite Health Care System access, such as digitalized MRIs and x-rays. The Reservist's primary healthcare provider at the medical center, as well as the healthcare professionals at the NMPS, will counsel Reservists on their plan of care before they are demobilized.

- Reservists were unfamiliar with provisions to provide medical care via TRICARE, Department of Veterans Affairs (DVA) hospitals, or Medical Treatment Facilities (MTFs) when available. TRICARE can be complex for a Reservist whose family is in one TRICARE region at home, while the member is in another TRICARE region while on active duty, and yet another while at the NMPS during demobilization. This fiscal year, TRICARE will reduce the number of



regions from 15 to 3, which will help mitigate this problem. Additionally, specific training on TRICARE has been added to the demobilization process.

### **Other Transition Improvement Actions**

Other actions being taken to further improve existing processes include:

- Secretary of the Navy Instruction 1770.3 is being updated to clarify how medical hold cases are processed. The "fit for duty" explanation was at the heart of several of the complaints. "Fit for duty" is defined in the Disability Evaluation System (DES) manual as "the member is fit to continue naval service based on evidence that establishes that the member is reasonably able to perform the duties of his or her office, grade, rank, or rating, to include duties during a remaining period of Reserve obligation. Within a finding of fit to continue naval service is the understanding that the mere presence of a diagnosis is not synonymous with a disability. It must be established that the medical disease or condition underlying the diagnosis actually interferes significantly with the member's ability to carry out the duties of his or her office, grade, rank, or rating." The revised instruction will provide clarification and improve explanation of the process.

- A comprehensive demobilization medical checklist has been drafted to include a detailed, easily understood care plan, member acknowledgement that they understand how to access medical care, medical record review, and other items.

- A TRICARE healthcare provider in the member's home area will be specifically identified prior to demobilization.

- A Transition Assistance Management Program (TAMP) identification card will be issued to all demobilizing personnel at the NMPS to expedite TRICARE enrollment in their home region.

- The Notice of Eligibility (NOE)/Line of Duty (LOD) entitlement documentation will be completed at the NMPS prior to demobilization, ensuring expert counsel should the Reservist have questions.

### **Summary**

At current levels of mobilization and demobilization, Navy's resources are adequate to effectively process Reserve personnel. The Navy is committed to taking care of all its Sailors, including Naval Reservists. Improving the quality of that care is a continuous process. Feedback from individual members, process owners, advocacy groups, and the Inspector General have all contributed to improve the demobilization process. Thank you for this opportunity to come and address the committee on this important issue.

**JOINT STATEMENT BY  
DANIEL J. DENNING  
PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(MANPOWER AND RESERVE AFFAIRS)  
AND  
LIEUTENANT GENERAL JAMES B. PEAKE  
THE SURGEON GENERAL OF THE UNITED STATES ARMY  
Reserve Component Healthcare: Medical Hold over Personnel in Current  
and Future Deployments**

Chairman McHugh and Members of the Committee, I am Daniel B. Denning, Principal Deputy Assistant Secretary of the Army (Manpower and Reserve Affairs). With me today is LTG James B. Peake, The Surgeon General of the United States Army. Thank you for inviting us to appear before your committee to discuss the medical holdover issue. These are challenging times we live in with the Global War on Terrorism, our efforts in Afghanistan, and the continuing operations to rebuild Iraq. In all of these, the Army remains committed to mission accomplishment while taking care of Soldiers and families and insuring our Soldiers receive the best possible medical care in a timely manner. The Army Medical Department has been at the tip of the spear in this regard. We are committed to providing world-class healthcare to our Soldiers on the battlefield and throughout the medical system.

The Army has been intensively managing the health care and disposition of Reserve Component (RC) Soldiers in a medical holdover status. Medical Holdover (MHO) status is defined as an RC service member, pre-deployment or post-deployment, who is separated from his or her unit and is in need of definitive health care, either treatment or convalescence, or recovery based on medical



conditions identified while on active duty status in support of the Global War on Terrorism. Also, Soldiers in a MHO may have completed treatment and recovery and are processing through medical and physical evaluation boards.

Of particular interest are the Soldiers who have been in an MHO status before November 1, 2003 such as those at Fort Stewart and Fort Knox. It is obvious that the numbers of Soldiers in a MHO status at those two installations during that period of time exceeded the capacity of both the medical treatment facilities and the available installation infrastructure. In the midst of supporting the war fight, the Army discovered that it needed to increase the number of resources dedicated to providing more expeditious care management and better housing of its Soldiers requiring medical treatment.

I would like to take a moment to relate the actions the Army has taken since November 2003 that now provide improved case management and support for MHO Soldiers.

- Specifying standards for more rapid delivery of care for screening, specialty appointments, surgery, etc. The delivery of these health care standards are monitored at every Medical Treatment Facility (MTF).

- Increasing medical infrastructure (more physicians, case managers, diagnostic capability, etc.) to provide more readily available, high quality treatment in MTFs.

- Upgrading billets in which MHO Soldiers are housed to ensure that facilities will accommodate Soldiers' medical conditions and are commensurate with Active Component Soldiers on the same installations. In some cases MHO

Soldiers have been re-located off the installation until adequate quarters can be provided on the installation. The Army is spending an estimated \$15.7 million to ensure facilities are adequate so that Soldiers in an MHO status are housed in a manner that is commensurate with permanent party Soldiers on the same installation.

- Establishing a dedicated chain of command at each installation to monitor progress and provide necessary support for Soldiers in a MHO status.

As you are aware, not all Soldiers are found fit for duty when mobilized and called upon to deploy. Last October the RC Soldiers in a MHO status numbered in the thousands. Policies and mobilization orders issued prior to October 25, 2003 caused medically non-deployable RC Soldiers to remain on active duty until final medical disposition. The result was that large numbers of RC Soldiers entered into MHO status. Assistance teams from the Army Medical Department and the U.S. Army Forces Command visited Ft. Stewart, Georgia and examined the treatment of MHO Soldiers and found MHO Soldiers had received quality healthcare and access to care equal to their Active Component counterparts as well as having access within TRICARE standards. However, TRICARE access standards were insufficient to move large numbers of Soldiers through the processes of MHO in a timely fashion. The teams also found that more administrators and medical specialists in the right combinations would expedite Soldier care. We implemented new access standards for the MHO soldiers: 72 hours for initial specialty consultation, one week for magnetic resonance imaging and other diagnostic studies, two weeks for surgery, and 30 days for Medical

Evaluation Board (MEB) processing. We also required at least one Case Manager for every 50 MHO Soldiers and at least one Physical Evaluation Board Liaison Officer is available for every 65 active MEBs. Additionally, the Army began to issue mobilization orders containing the provision that RC Soldiers mobilized after October 25, 2003 may be released from active duty if found medically unfit to deploy within the first 25 days of mobilization. At the end of October 2003 there were 4,452 Soldiers in MHO status. Due to the measures adopted and resources applied, that number was reduced to 2558. By March 1, 2004 we expect a very small percentage of this original cohort to remain on active duty, most probably for persistent medical issues or Physical Evaluation Board processing.

Our medical challenges have been many, but they are not insurmountable. Determining the right mix of healthcare specialties and administrative personnel needed to support our MHO Soldiers varies at each power projection platform. Our Regional Medical Command Commanders have developed a matrix that shows how many of which type of medical and administrative staff they need at each site to resolve MHO cases. Wherever feasible, local MTF commanders have partnered with local Veterans Administration (VA) facilities and TRICARE healthcare providers. The Army has reached out to its counterparts in the other services to gain access to all DoD medical facilities and their staff.

During the period of the rotation of units to and from Iraq, Afghanistan, and the Balkans, the largest number of Active and Reserve Soldiers will pass through Army installations since World War II. The Army is committed to ensuring that



Soldiers are medically qualified for service in a theater of operations, and providing comprehensive care and treatment to Soldiers who have served and incurred illness or injury. Each Soldier is required to undergo a health assessment before deployment and upon returning from deployment to the theater of operation. The Army anticipates that the health assessments on the large numbers of forces rotating in and out of theater will increase the number of MHOs. However, it is not possible to determine exactly what that number is.

Faced with an Army-wide capacity of about 5,000 MHO patients at any one time, the Army is taking the following steps now to mitigate potential increases of 500 to 5000 above capacity.

- Increasing medical, installation support and administrative processing resources to ensure that MHO Soldiers have access to high quality medical care and to increase throughput of MHO Soldiers through treatment, Medical Evaluation Board (MEB), Physical Evaluation Board (PEB) processes. These measures include everything from hiring contract health care workers, buying medical diagnostic services, repairing and upgrading billets, and outsourcing administrative support for boards.

- Developing multiple options, including support from other services, to provide appropriate health care for MHO Soldiers when the patient load at MTFs at de-mobilization sites exceeds capacity. We are using a mixture of civilian contractors, Civil Service employees, RC medical personnel, TRICARE network providers, Navy and Air Force resources, and the Veterans Administration in meeting the need of taking care of our Soldiers.

- Establishing Community Based Health Care Organizations (CBHCO)

located with National Guard Joint Force Headquarters, and staffed by mobilized National Guard Soldiers and Reservists, under the command and control of FORSCOM, with MEDCOM technical oversight to manage the health care, administrative processing (MEB), and Soldier support for assigned MHO Soldiers. This initiative will afford Soldiers with less severe health issues the opportunity to receive health care closer to their homes, and in most cases, to live at home while completing treatment.

- Ensuring that adequate living facilities and a dedicated chain of command exist at every installation where MHO Soldiers will be staying to receive treatment and processing.

It is likely that during this period of force rotations, that patient loads at some installations may exceed local MTF capacity. The Army has developed a series of options to handle this surge. A Soldier in a MHO status may receive treatment in another Army MTF, an MTF operated by the Navy or Air Force, a Veterans Administration facility, or from civilian health care providers coordinated by CBHCOs. Army MTFs will be able to handle approximately 5000 MHO patients, and the first five CBHCOs are expected to accommodate up to 2,500 patients. The decision on which facility will treat the soldier will be based on the specific condition of the soldier and the availability of health care facilities that provide the medical care needed by the patient.

A CBHCO is a task organized element, staffed by mobilized National Guard Soldiers and Reservists, and is designed to coordinate health care provided by

civilian health care providers, process medical evaluation boards, and provide command and control for MHO Soldiers. The Army will initially establish five CBHCOs by 16 March and will be prepared to establish at least eight more if the need should arise. We will monitor MHO flow and facility capacity carefully. The locations of the CBHCOs were chosen based on a combination of factors that include: the population of mobilized RC Soldiers in the chosen areas, the locations in which MHO Soldiers may exceed facility capacity, the ability of a particular National Guard Joint Forces headquarters to support, and the availability of civilian health care providers. CBHCOs will provide additional medical capacity that will allow Soldiers to receive treatment and recover closer to their hometowns.

The first five states in which mobilized National Guard Soldiers and Reservists will operate CBHCO facilities are Arkansas, California, Florida, Massachusetts, and Wisconsin. CBHCOs are designed to provide support on a geographic basis, serving both National Guard and Army Reserve Soldiers.

We have identified an estimated \$77 million to support the MHO mission. These resources will be used to hire more case managers, more orthopedic specialists, more administrative staff, etc. An estimated \$6.9 million is required to repair and upgrade billets. It is estimated that establishing and operating CBHCOs will require \$8.5 million.

The Army will be successful in managing MHO Soldiers. We have in place the appropriate policies with regard to standards of care and living conditions of Soldiers in a MHO status. Acting Secretary Brownlee and the Army leadership



have committed that Soldiers will receive the best medical treatment in the most expeditious manner, and will be billeted in facilities that are equal to permanent party Soldiers. We are putting together the right team within the Army while leveraging the support of sister services, Veterans Administration and Civilian Health Care providers. The combination of these assets will posture the Army to take care of the Soldiers entrusted to its care and improve our overall readiness posture.

Thank you for your continued commitment and support to quality care for our Soldiers and to the readiness of our forces.

**FISCAL YEAR 2005 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON FORCE HEALTH PROTECTION AND SURVEILLANCE IN THE GLOBAL WAR ON TERRORISM**

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
TOTAL FORCE SUBCOMMITTEE,  
*Washington, DC, Wednesday, February 25, 2004.*

The committee met, pursuant to call, at 2:06 p.m., in room 2118, Rayburn House Office Building, Hon. John McHugh (chairman of the subcommittee) presiding.

**OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE**

Mr. MCHUGH. The hearing will come to order. There is much more authority that way with the microphone up, down. These concepts are befuddling to me.

First of all, welcome, everyone. I appreciate your being here. The Subcommittee on Total Force meets this afternoon to assess the force health protection and surveillance efforts for servicemembers that have been ongoing with respect to the Global War on Terrorism. And I certainly want to welcome our witnesses here today. And I know we all look forward to their testimony.

After the Gulf War, some veterans began to experience debilitating illnesses that could not be explained. With increasing concern about health problems in the ranks of former military personnel, numerous activities were initiated to investigate veteran illnesses. When attempts were made to compile information on health status, medical care, troop locations, and environmental hazard during deployments, the Department of Defense, simply put and frankly put, came up short.

We cannot let this happen again. It is our responsibility and duty to ensure the health and well-being of our forces as they now deploy to what by any measure are fairly described as extremely dangerous locations. Our service men and women and their loved ones must be confident that they are receiving the best opportunities for good health.

Since the events of September 11, 2001, this country has seen hundreds of thousands of servicemen and women deploy in support of Operation Enduring Freedom and Operation Iraqi Freedom. In light of the number of recent and upcoming deployments and redeployments, it certainly is appropriate that we take stock of the effectiveness of the various force health protection laws, policies,

and programs to ensure health risks are being identified and servicemembers are receiving the care they need.

In November 1997, Congress adopted legislation, Public Health Law 105-85, that established a system for assessing health status before and after deployments and centralized retention of information related to those deployments. To provide better oversight for force health protection efforts, Congress also requested that the GAO, the General Accounting Office, examine Department of Defense (DOD)'s compliance with the requirements of the law.

And the findings of the GAO report were—I think it is fair to say—abysmal and were addressed by this subcommittee in a hearing held last March as well as by other congressional committees over the past year. Today we will have the opportunity to examine DOD's progress in providing compliance with the law and how it is implementing effective force health protection programs.

In addition to this objective, the subcommittee seeks to understand the present and emerging health concerns for those deployed in support of the war on terrorism.

We will have the opportunity again this afternoon to review the status of the smallpox and anthrax vaccine programs; the challenges associated with caring for combat casualties; and how servicemembers are being protected from environmental hazards and infectious diseases.

The nature of warfare that we are seeing in OEF and OIF brings new challenges to force health protection. The traumatic events and stressors associated with fighting terrorism are ever present in this war. Vigilance in the effective management of a full range of post-traumatic stress reactions must be a top priority and the subcommittee looks forward to both the DOD and Department of Veteran's Affairs (VA) perspectives.

This subcommittee is also interested in understanding the factors that led to the increase in servicemember suicides in July 2003 in Iraq and how DOD is currently positioned to prevent suicides not only in theater but back at home stations. In October 2003, an Army Mental Health Advisory Team went to Iraq and Kuwait to assess the events that led to the suicides and to examine behavioral health care in theater.

And again, we in the subcommittee are interested in what the team learned during its review and how many of its recommendations have been implemented thus far.

Finally, as veterans move into the VA health care system, the transition must be seamless to ensure the highest quality of care. The DOD and VA have met many challenges in this respect over the last year and we look forward to the testimony today regarding that progress as it is occurring as we speak.

Before I turn to the committee's ranking Democrat, Dr. Snyder, I want to, as I opened with, thank all our witnesses for the commitment they have shown as they do their part to support that war on terrorism. But I especially want to acknowledge the presence of two soldiers, two heros, who are with us today from Walter Reed Army Medical Center, Corporal Victor Thibeault—did I pronounce that correctly, Corporal?

Corporal THIBEAULT. Yes, sir.

Mr. MCHUGH. Good.



A witness on our first panel who is a 10th Mountain Division soldier from Fort Drum, New York in the shadows of where I was born, climb to glory. And also a soldier who fought in the war in Afghanistan and made great sacrifices for this country. Also seated in the audience is Staff Sergeant Maurice Craft in the 82nd Airborne Air Defense Artillery soldier who served in Iraq and was severely injured by an explosive device while on patrol.

I had the opportunity—where is the Sergeant? There he is. Sergeant, good to see you.

I had the opportunity to meet with these two heroes a little bit earlier in the afternoon in my office. They are incredible examples of the heroism, the courage that is displayed amongst the ranks of our military each and every day. Their stories are extraordinary, but at the same time, they are indeed reflective of the men and women that have volunteered for this service.

They volunteered for the actions in which they incurred their injuries. They also, even perhaps more incredibly, volunteered to be here today. And that shows particular courage. And I thank you both and express my appreciation for your sacrifices, your courage and for your service.

You and your comrades in arms have the highest respect and appreciation of this subcommittee and indeed the entire Congress and the people of the United States. I just returned on Friday from Afghanistan, visiting the 10th Mountain Division, more to the point, visiting our military forces in that theater. And I, as always, was impressed with their devotion, their dedication, their effectiveness. And we are thrilled you are with us here today.

With that, I would be honored, as always, to yield to my partner and to a leader on health care issues and someone who brings a particular professional perspective to it, Dr. Vic Snyder, the gentleman from Arkansas, the ranking member.

Vic, the floor is yours.

[The prepared statement of Mr. McHugh can be found in the Appendix on page 159.]

#### **STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, RANKING MEMBER, TOTAL FORCE SUBCOMMITTEE**

Dr. SNYDER. Thank you, Mr. Chairman. I appreciate your holding this hearing. And I also appreciate the comments you made. And I will just be brief here.

I appreciate you all being here. On Monday, I was down at Fort Polk. We have several thousand Arkansans getting ready, who have been activated for the guard unit; they are getting ready to go over as part of the 39th Brigade. And, of course, that always brings home when you see friends of yours who are about to go over.

But I think what even brings it more home to me was the fact that we have had—I think the number now is about 11,000—medical evacuations from Iraq since the action started. And obviously those are not all wounded. There are medical reasons, accidents, whatever it is. But that is a significant number of people who are coming back, serious enough to come back and to be medevaced.

And, of course, they have all the injuries and illnesses that are taken care of in theater. So health care is a huge issue.

And those of us that are in the profession like Ms. Schwartz and myself and General Peake, of course, we think health care is about the most important thing out there anyway. But this is a huge issue. And it is a much more complicated issue because of the system that the military is. It is always moving. It is always changing. It always has responsibilities, even greater than providing health care. And that makes it particularly challenging.

So thank you. And I look forward to your testimony.

[The prepared statement of Dr. Snyder can be found in the Appendix on page 167.]

Mr. McHUGH. I thank the gentleman, as always. I would be happy to yield to any other member.

The gentleman from Virginia.

Mr. SCHROCK. Thank you, Mr. Chairman. I had it on, but I didn't have it in front of me. Thank you, Mr. Chairman.

And thank you all for being here, especially the two of you who have served over there. I have been privileged to be in Afghanistan once and Iraq twice, so I know what you were enduring over there. I lived in Vietnam for two years, so I have some appreciation for what you might have gone through.

There is a fundamental trust between those who serve our nation in uniform, whether they are active or reserve or National Guard that not only will an acceptable level of medical care be provided for them and their families, but that this level of care will be as high as possible.

There is also a fundamental expectation that the choices that our military commanders make in assuring the medical readiness of our armed forces personnel will be made in the most professional manner with respect to the highest and most stringent principles of both military and civilian medical professionals. I believe that as a nation we do everything possible to honor this trust our men and women in uniform place in us for their health and well-being.

I also believe that the process of internal self-regulation in this arena must continue and that the scrutiny of outside organizations such as the General Accounting Office and others represented here today should be welcomed as a healthy, fresh look at how well we are doing. Our military health systems provide a very high level of health care to both our servicemembers and their families.

I would urge all the witnesses present to continue to devote yourselves to this end, whether you provide that care directly or monitor and seek to improve that system. In the end, the health of our men and women in uniform drives the health of our military. And I thank you for what you do. And I thank you all for being here today.

Thank you, Mr. Chairman.

Mr. McHUGH. I thank the gentleman for his leadership and presence.

The gentelady from California has indicated by turning on her light she is going to make a statement.

Ms. SANCHEZ. That is correct. No, no, no, Mr. Chairman. Hopefully you will give me more time on my questions, though.

Mr. McHUGH. I envy the gentelady's choice. I thank her for that.

As I have noted, I would say to our first panelists and to the others we do have two panels today, and we want to hear extensively on a discourse between the members in attendance and all of you in your responses. So we do have your written statements, those of you who are here to render them. I would ask that all of those, without objection, be entered in their entirety in the record—without objection, so ordered—and encourage you to the extent possible that you summarize those written statements, those of you who have them.

Corporal, I know that you are going to speak from the heart, and I couldn't agree more. But for those who have written statements to try to summarize those to the extent you can.

With that, let me welcome and introduce our first panel. And I am going to start, kind of, with the reverse of where we normally do. The first is Robert Washington, Sr., who is Co-Chair of the Military Coalition's Health Care Committee. Thank you for being here, sir.

And he is accompanied by Sue Schwartz who is a DBA, an RN, who is Co-Chair of the Military Coalition's Health Committee.

And, Mr. Washington, she is going to handle the tough questions, is that it? Okay.

Also Michael Duggan, Deputy Director of the National Security and Foreign Relations Division of the American Legion. Mr. Duggan, welcome.

And as I commented earlier, Corporal Victor Thibeault, United States Army, 10th Mountain Division, Fort Drum.

I am not sure if that is a vote or calling us back in. I think it is calling us back in.

Mr. Washington, welcome, sir. We are going to start with you, if we might. And we look forward to your comments. And our attention is yours.

**STATEMENT OF CORP. VICTOR THIBEAULT, U.S. ARMY, 10TH MOUNTAIN DIVISION, FORT DRUM, NY; DENNIS MICHAEL DUGGAN, DEPUTY DIRECTOR, NATIONAL SECURITY AND FOREIGN RELATIONS DIVISION, AMERICAN LEGION; DR. SUE SCHWARTZ, DBA, RN, CO-CHAIR, THE MILITARY COALITION'S HEALTH CARE COMMITTEE AND ROBERT WASHINGTON, CO-CHAIR, THE MILITARY COALITION'S HEALTH CARE COMMITTEE**

Mr. WASHINGTON. Thank you. Good afternoon, Mr. Chairman and distinguished members of the subcommittee. Thank you for allowing Dr. Schwartz and I to appear before the subcommittee to present the coalition's views. The coalition would like to thank you again for sponsoring legislation that is helping servicemembers, veterans, family members and survivors. We deeply appreciate the subcommittee's continued leadership and commitment to those who are in uniform today and those who have served our nation in the past.

Force health protection includes fitness in health, protection and prevention and treatment. The coalition agrees with the General Accounting Office that there are significant improvements in compliance with DOD's guidance. Unfortunately, the war against terrorism was well underway before this guidance was finally en-



forced. The pre and post-assessment forms are self-administered, and medical personnel review the forms with servicemembers.

The coalition has reviewed these documents and has concerns about subjectivity and the human dimension of the evaluation process. We urge the subcommittee to direct a study of the effectiveness of the self-administered pre and post-deployment assessment and continue providing oversight to ensure compliance with pre and post-deployment policies and procedures.

The Military Coalition is most appreciative to Congress for including the Temporary Reserve Health Care Program in the fiscal year 2004 National Defense Authorization Act. This program will provide temporary coverage until December 2004 for national guard and reserve members who are uninsured or who do not have employer-sponsored health care coverage.

The coalition is also grateful to the subcommittee for Sections 703 and 704 of the fiscal year 2004 NDAA. Section 703, Earlier Eligibility Date for TRICARE Benefits, for Members of Reserve Components, provides TRICARE health care coverage for reservists and their family members starting on the date a delayed-effective-date order for activation is issued and the Temporary Extension of Transitional Health Care Benefits which changes the period for receipt of transitional health care benefits from 60 or 120 days to 180 days for eligible beneficiaries.

Respectively, Congress recognized the extraordinary sacrifices of our citizen-soldiers by extending this pre and post-mobilization coverage. Now it is time to recognize the changed nature of 21st century service in our nation's reserve forces by making these pilot programs permanent. We urge the subcommittee to endorse permanent authorization of all provisions of the Temporary Reserve Health Care Program to support readiness, family morale, the deployment health preparedness for guard and reserve servicemembers.

Congress authorized all other Federal departments and agencies to provide occupational payment of premiums for employer or personal health insurance. If this benefit is good for the roughly 10 percent of the selected reserve who are Federal workers, it ought to be provided in kind to the rest of the guard and reserve as an option. We urge the subcommittee to authorize payment of part or all of civilian health care premiums up to the TRICARE limit as an option for mobilized servicemembers.

Congress responded by passing legislation that allows DOD to provide medical and dental screening for selected reserve members who are assigned to a unit that has not been alerted for mobilization in support of operational missions, contingency operations, national emergencies or war. Unfortunately, waiting for an alert to begin screening is too late.

The coalition recommends expansion of the TRICARE dental plan for guard and reserve servicemembers. This would allow these personnel to maintain dental readiness and enable reservists to meet readiness and deployment standards. The coalition believes that a root cause of medical holds is a lack of effective screening protocols and the resources necessary to support them.

A reserve component member must often complete their physical exam in the private sector. For those who do not have insurance,

there is a reluctance to incur this expense. Even for those with employer-sponsored insurance or other insurance coverage, a routine physical is often not covered in the benefit. Providing services with adequate resources to ensure that reserve component members receive required medical screening and treatment necessary to ensure medical readiness must be a high priority.

The coalition is also concerned that the effects of war that can't be seen or easily evaluated like the psychological conditions that arise from war such as Post Traumatic Stress Disorder (PTSD) and escalated domestic violence. Reserve component members and their families, many of whom live far from the support service provided on military installations, may also experience additional stresses.

Unfortunately, many of the medical health issues may not emerge until some time in the future after eligibility for TRICARE has ended. Where will these families be helped? How will deployment-related mental health issues that emerge amongst reserve component servicemembers and their families be identified and tracked in the health care statistics?

The coalition notes that all servicemembers and reserve component personnel and their families can access the One Source information referral service. We hope that these programs help relieve the strain of counseling that traditionally has fallen on the family service centers and the chaplains. The coalition recommends that the subcommittee endorse the resources necessary to support these services for our nation's servicemembers and veterans so that they do not become the next generation of our nation's homeless.

In conclusion, the Military Coalition reiterates its profound gratitude for the extraordinary progress this subcommittee has made in the area of deployment health policy, practice and procedures as well as securing a wide range of personnel health care initiatives for all uniformed service personnel and their families and survivors. The coalition is eager to work with the subcommittee in pursuit of these goals outlined in our testimony.

Thank you very much for the opportunity to present the coalition's views on these critical and important topics. Dr. Schwartz and I stand ready to answer any questions that the distinguished subcommittee may have.

[The prepared statement of the Military Coalition presented by Mr. Washington and Dr. Schwartz can be found in the Appendix on page 189.]

Mr. MCHUGH. Thank you very much, Mr. Washington. For the record, before we go to the next presenter, do you know off the top of your head how many—I have the list here, but I can't count past 25. How many organizations does the coalition—

Mr. WASHINGTON. Are in the Military Coalition?

Mr. MCHUGH. Yes.

Mr. WASHINGTON. Thirty-five, sir.

Mr. MCHUGH. Thirty-five. You are right, it is for the record. So your reach is substantial, and we appreciate that. Thank you for your testimony.

Next Mr. Michael Duggan, Deputy Director, National Security and Foreign Relations Division, American Legion. Welcome, sir. We are honored to have you and representation from the American Legion here today. And we are anxiously awaiting your testimony.



Mr. DUGGAN. Thank you, sir. Mr. Chairman, distinguished members of the subcommittee, the American Legion is extremely pleased to appear before this particular subcommittee to express its concerns with regard to DOD force health protection and surveillance efforts for our servicemembers deployed in Operations Iraqi Freedom and Enduring Freedom. Like you, Mr. Chairman, we take our hats off to all service men and women, and particularly those who are engaged in combat.

The health and health care of our armed services are major concerns to the American Legion. We participate, I might add, in monthly meetings hosted by the Deployment Health Support Directorate in Office of the Assistant Secretary of Defense for Health Affairs (OASD) on a monthly basis and are extremely informative. Our American Legion national commanders have also had the opportunities to visit the troops in Europe as well as the Far East. We visited, of course, the troops in Walter Reed on a number of occasions there.

And finally, I would add that the American Legion with its 14,000 posts across the country extends not only an open door, but actually a formalized family support network in which to work with families who have activated reservists who are either deployed or returned from deployment.

And we are just now beginning to work with the Army, in particular in being able to refer particularly severely disabled servicemembers such as the gentleman we have here from Walter Reed to, hopefully, a hometown American Legion Post kind of thing, where they can provide some kind of help, not only to the individual, but to the family as well, too, because this is some pretty traumatic stuff.

Chemical and biological weapons have not been used against American troops, thank God, in Afghanistan or Iraq. Still the Legion is concerned about the ability of American troops to operate in a nuclear, biological and chemical environment. During the 1991 Gulf War, thousands of chemical detections turned out to be false alarms. The ability to properly detect the presence of Nuclear, Biological and Chemical (NBC) agents still remains a grave concern.

In October of 2002, the GAO reported that the DOD was unable to account for some 250,000 defective suits and has reported that the defective suits were either destroyed or have been used in training activities. Last year, as mentioned, the GAO found non-compliance with force health protection and surveillance policies for many active duty servicemembers. This included, as mentioned, required pre and post-deployment health assessments, required immunizations and failure to maintain health-related documentation in centralized locations.

Of the records reviewed, some 38 to 98 percent were missing two or more required shots. GAO concluded that an effective quality assurance program at OASD Health Affairs was required. This focus would be ensuring compliance with Force Health Protection (FHP) policies on pre and post-deployment health assessments, shot records and blood drawing for HIV and post-deployment assessments.

We in the Legion appreciate the Department of Defense's increased efforts actually to ensure its policies and programs are



fully and consistently implemented by the services. And the non-compliance with required policies could result in personnel deploying with possible health problems and/or encountering delays and other problems in obtaining health care and VA benefits, not unlike problems experienced by the veterans of the first Gulf War.

The anthrax vaccine continues to be an important part of the military's force health protection program. The American Legion, of course, agrees with DOD's position to adequately protect military personnel against the threat of biological attack such as anthrax or small pox.

However, serious concerns with past problems associated with BioPort, the sole manufacturer of the vaccine, in the way adverse reactions are tracked and followed continue to worry us. The American Legion has long advocated a second manufacturer of the vaccine as well as a newer vaccine proven for its efficacy and safety and an inoculation period shorter than the current six-shot regiment.

The anthrax vaccine controversy has existed since the first Gulf War. A similar controversy seems to be brewing regarding the case of the anti-malaria drug Lariam. There have been media articles about military personnel experiencing severe side effects, including depression and other psychological symptoms after being prescribed Lariam. If a servicemember suffers a chronic disability as a result of taking Lariam which is not documented in health records, it makes it only that much more difficult to prove service connection which impacts on veterans accessing VA health care and health care facilities.

Title 38 of the United States code requires a burden of proof in establishing service connection on the veteran which depends to a large extent on DOD's efforts to maintain and complete proper health records and health insurance as well as, for example, the documentation of troop locations, environmental hazard exposures data and the timely sharing of this data with the Veterans Administration (VA). The sharing of information with VA appears to be going pretty well right now in the briefings, at least, that we received.

Due to the duration and extent of sustained combat in Operations Iraqi Freedom and Enduring Freedom, the psychological impact and stress on deployed personnel is of utmost concern to the American Legion. The military has counseling available, as PTSD often manifests itself months or years after individuals are removed from traumatic combat or experiences. This is especially important for the reservists and Guardsmen who may be rapidly demobilized after returning from deployment and may not have the same medical support system as their active duty counterparts.

Frankly we are surprised at the number of Guardsmen and reservists who are called to active duty and not deployed due to existing medical and dental conditions. Undoubtedly these soldiers, we believe, need permanent and affordable TRICARE health care and dental plans for them and their families to use for pre-mobilization and pre-deployment purposes and for post-deployment as well.

Last, American Legion urges that the Congress mandate separation or discharge physicals be mandatory for all servicemembers and not optional as they are now, particularly for those who have

served in combat zones and have sustained numerous deployments. This is necessary because of the oftentimes inadequate medical record keeping and to ease, as I mentioned, accessing VA health care and applying for a disability compensation and other veterans' programs. We are told by DOD in their force health protection briefings and in the seamless DOD, VA briefings that only about 20 percent of discharging servicemembers opt to have separation physical exams.

Mr. Chairman, we feel that should be substantially increased. Again, we thank you for this opportunity, Mr. Chairman. And that concludes my statement.

[The prepared statement of Mr. Duggan can be found in the Appendix on page 201.]

Mr. MCHUGH. Thank you very much, Dr. Duggan. And we appreciate all you do, not just in being here today, but at all times for both the veteran and the active service community and do thank you for being here today.

Last, certainly not leastly, we hear from Corporal Victor Thibeault. The corporal does not have a written statement, as I understand.

Corporal THIBEAULT. I have some things written down, Mr. Chairman.

Mr. MCHUGH. But he wishes to share his experience, which, as far as I am concerned, is really the most important words we may hear today from the subcommittee's perspective. So Corporal and the sergeant who has accompanied you, again, we are honored by your presence. And we welcome your testimony.

Corporal THIBEAULT. Thank you, and good afternoon, Mr. Chairman and members of the subcommittee. I am Corporal Victor Thibeault from the 110th Military Intelligence Battalion, 10th Mountain Division, Fort Drum, New York. Climb to glory.

Mr. MCHUGH. Climb to glory.

Corporal THIBEAULT. I was stationed in Afghanistan when I was ambushed by a Taliban insurgent in the Martyr's Circle area. A grenade landed in my vehicle under my squad leader's chair inside the vehicle. I grabbed the grenade and tucked it underneath myself to protect him and to protect the civilians outside in the surrounding area. I wanted to stop any propaganda that may be caused because of hitting any innocent civilians. I wanted to save my buddy also.

Treatment at Walter Reed was excellent. I have never been anywhere where people are more professional. And I thank them all for being there for us when we come back. Some of the programs there are excellent also, stress management and dealing with the pain. They offer a lot of programs like therapy and things of that nature.

But I also agree with this Lariam statement. I believe that the Lariam pill has a lot of problems. I had a lot of side effects from it, so I stopped taking it. There is also a problem with transitioning from Walter Reed into whatever you decide to do afterwards. There are a lot of soldiers that want to get out and proceed onto college or whatever they may.

And there are also a lot of soldiers that feel like they have to stay in because they are dependent on the funding of the pay be-

cause of their families and housing. I think that a lot of these soldiers, they want to get out and do better, but they can't transition because they don't have the proper funding with the percentages that you get from the military afterwards with the disabilities. And I just think that needs to be improved also.

And I think that the medics out there in the field were trained excellently. They did everything that I thought they would do after I was injured. And I am proud of all of our soldiers over there. And I support the war. Thank you.

Mr. MCHUGH. Thank you. Thank you all.

Corporal, if I may, I am going to start with you. You mentioned Lariam, the malaria pills. You said you had problems. Could you share those problems to the extent you are comfortable with the subcommittee?

Corporal THIBEAULT. Yes. There is a lot of diarrhea, a lot of sickness. I went through a period of two, three weeks of sickness, constant nightmares. It is mostly a lot of physical things like people get sick a lot over there because of it.

Mr. MCHUGH. Now you answered, kind of, my second question. But I am going to ask it anyway because I am a politician. You have comrades, other folks, who were experiencing similar or some kind of problem from the Lariam or at least thought they were?

Corporal THIBEAULT. Every soldier I know has problems with it.

Mr. MCHUGH. Every soldier?

Corporal THIBEAULT. Every soldier I know.

Mr. MCHUGH. You never met a soldier who said, "A day at the beach."?

Corporal THIBEAULT. Never.

Mr. MCHUGH. Okay. Thank you very much. When you were in my office an hour and-a-half or so ago, you mentioned—and this is my word, not yours because you didn't say this. I sensed the frustration that—how long have you been in treatment now stateside?

Corporal THIBEAULT. About two and-a-half months now, sir.

Mr. MCHUGH. Two and-a-half months? And where are you vis-a-vis a prosthesis for your injury on your hand?

Corporal THIBEAULT. I haven't received a prosthesis yet, sir, at all. No.

Mr. MCHUGH. Any word of it?

Corporal THIBEAULT. There is word, but no show.

Mr. MCHUGH. Bad choice of words on my part. All right. I think we can leave it at that.

Corporal THIBEAULT. Some prostheses are easier to get a hold of because the injury is more frequent than others.

Mr. MCHUGH. Yes. And I want the audience to hear this, not because I think it was a misjudgment on the part of your medical providers, because I don't, but because I was stunned by it. And I can only assume when they came to you you were somewhat surprised. What was the choice they gave you about prosthesis and your operation and the condition of your hand?

Corporal THIBEAULT. They told me I had a choice to cut my arm up further to receive a different type of prosthesis. I refused that. But they also offered to take my toe off and put it on as a thumb. And I didn't want to do that either. I don't want to lose any more of my body parts. I just wanted to—



Mr. MCHUGH. And I want everybody in the audience to understand. I am not saying that as a criticism of DOD health care. I am saying this is what these people do for this country and what this sergeant over here has done for his country. And we ought to go to bed at night remembering that and thanking God that there are people like these two people who serve.

And thank you so much for your sacrifice and for the honor you provide to all of us. I appreciate it.

One more question, then I want to yield to my colleagues.

To Mr. Duggan or to Mr. Washington or to Ms. Schwartz, I heard a lot about, understandably, suicides, troubling situation. What suggestions, observations, criticisms, what can you share with this subcommittee as to what we need and the department needs, the services need to do particularly better to follow up? I think if you are a member of the so-called active component, you are at least in an environment where care is available. Whether or not it is available sufficiently or you access it is another issue.

But in this seamless force, total force military, where, as was noted in Mr. Washington's comments, you are so reliant upon those folks who, after the fact, go home where that environment of support may not be there, what can we do in the mental health care arena to better accommodate and hopefully, if not eliminate, lessen the likelihood of those circumstances?

Any thoughts on that?

Dr. SCHWARTZ. That is the concern of the Military Coalition as well, Mr. Chairman. Because the active duty force, obviously the families are on the installations, there is the family service center there, there is the outreach there. As Mr. Washington mentioned in his testimony, there is the One Source, but once the family loses the Transition Assistance Management Program (TAMP), the additional TRICARE benefit, where do our Guard and reservist families turn? And I am sorry, sir, we don't have the answer. But we are very concerned.

And as we look at the VA benefit, when the VA benefit was created, it was created for the single servicemember. And they provide PTSD services for the servicemember. But where is the outreach for the family members?

And we are most appreciative of what the Legion does, but as we say, the family has to go home and live with the servicemember. And the families get post traumatic stress disorder as well. They are traumatized by what happened. And we would ask the subcommittee to look into it to find a way to help these reserve families long after their service has been extended.

Now you have given them the ability to buy into TRICARE. And hopefully Section 702 some day will be implemented and those families will get that support. So we look to that as one possible solution. But I don't have an answer, sir. But we appreciate that at least we are looking at it.

Mr. MCHUGH. Thank you.

Mr. Washington, any comments?

Mr. WASHINGTON. I have to agree with Dr. Schwartz. I don't have any recommendation at this time as to how we would fix this problem. I would think that maybe some type of study to look into the feasibility of prolonged distance, a tracking system or some-

thing, to kind of monitor these folks after they leave the service and go back into the communities.

Mr. MCHUGH. Yes. Mr. Duggan?

Mr. DUGGAN. Sir, I would only comment to the effect that I think I read—and that is all I really know about the suicide thing. I don't know if there are any patterns for that which have been established. If there have been, I am certainly not aware of them.

But I think what I have read, though, what has really affected a number of the troops is when they change the go home date, when the tour got extended kind of thing. And I think to preclude that kind of thing—because I know the two years that I served in combat units in Vietnam, that was the most important day in my life, was the day I was going home. That is when life started.

And when you change that, without my knowledge or without my input, then all of a sudden, you have just changed my life tremendously because for one thing, you have increased the odds that I might not be going home. I could get killed at this kind of thing.

And the stress, the stress is—and again, just talking from my own experience, I have PTSD—unabashedly, I have PTSD. And it didn't pop up for 20 years after it. And I went through the stuff when I was retiring and all, no problem, "Good to go." kind of thing. But whamo! One day it just came back and hit me hard.

So the more that is, kind of done in that regard is more follow up, perhaps mental health counseling or screening, for example, if they are still on active duty. And hopefully something like that could be called for in any TRICARE plans which might get approved, say, for the National Guard.

Mr. MCHUGH. Let me ask you. You said 20 years later in your own case. And that is an impressive amount of time. What avenues were available to you?

Mr. DUGGAN. VA.

Mr. MCHUGH. Were they receptive? Were they understanding?

Mr. DUGGAN. Absolutely.

Mr. MCHUGH. They were?

Mr. DUGGAN. The VA really was. And what they all are required to look at—at least for service connection and therefore, counseling and so forth—was a time in Vietnam and wearing a purple heart and Combat Infantryman's Badge (CIB) and a few things like this. So that got you in.

Mr. MCHUGH. Good. Thank you.

Corporal.

Corporal THIBEAULT. Mr. Chairman, this depression when you come back from combat is too great to be—when you transition from the hospital to being on your own again, it is hard to deal with the depression. That is why a lot of guys are committing suicide because they have had no one to go to when they get out. And they transition, say, to the Malogne House where you stay at in transition from the hospital to being on your own or back into the Army.

The depression is too great, and you don't have anyone there supporting you to help you get through that depression unless you go find it yourself. And that is a big problem. I think that we need more counselors to help us get through this transition phase and

that would take down that—that percentage will decrease over time, I am pretty sure.

Mr. MCHUGH. Let me get this straight. You had the grenade in your hand you could have thrown it out the window but recognized that you would cause significant casualties in the civilian population so you held onto it?

Corporal THIBEAULT. Yes, sir.

Mr. MCHUGH. You all hear that?

Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman.

Mr. Washington, you had a series of formal recommendations and Dr. Schwartz, too, in your statement. The one about insurance; we haven't solved the problem at all in this country about health insurance. And so, I always get sensitive to the fact that if we are messing up somebody who already has insurance—and you are suggesting that we do—by giving the option of going on TRICARE but not really taking care of the fact that they are going to have trouble paying for their premium with their coverage they already have.

It seems like there are two options there in terms of dealing with that problem. One would be as you suggest that the government would pay the premium during the period of activation. The immediate problem I would see with that would be you would essentially then start paying people unequal amounts. One person would have a Cadillac policy. One person may have a real streamlined policy.

And it could be a significant amount of money compared to what they are actually getting in salary from being in the reserve forces. And so, you then have different people being paid different amounts. And you can have premium increases during time of service. And it seems like it could be some inequality there or not equity.

It seems like another way to go is you could have a set amount that people could be given the choice of going into TRICARE or you can draw this much per month, but it would be the same amount for everyone. Then people would have to make a choice. And it would not be an amount that would cover probably all the premium. But it may be enough that it made it worthwhile. Is that the kind of solutions you all were thinking about?

Dr. SCHWARTZ. Yes, Dr. Snyder. If I may elaborate—and with my apologies—that which was not clear in our testimony. What we would want is that the costs of TRICARE be established as a stipend, X amount of dollars. And those dollars would be contributed toward the servicemember's TRICARE benefit or they could elect and take the chip, so to speak, of the same amount and put it toward their other health insurance.

In other words, say the benefits were \$500. Then you get 500, take TRICARE as your \$500 benefit, or you may take that in kind to purchase the other health insurance.

Dr. SNYDER. I don't know if we have that. I am going to ask you, General Peake, if we know what that amount is about if we add on a person. Do you all know?

Dr. SCHWARTZ. Well, sir, under Section 702 of last year's National Defense Authorization Act, a financial cost is to be put to-



ward TRICARE, and then the servicemember will have a 28 percent cost share of the cost of the TRICARE benefit.

Dr. SNYDER. But that will have to be determined?

Dr. SCHWARTZ. Yes.

Dr. SNYDER. Yes.

Dr. SCHWARTZ. So we are anxiously awaiting that figure.

Dr. SNYDER. I am just going to go down the line here. Dr. Schwartz, I wanted to ask you specifically. And I acknowledge that I am asking this question because you are a woman. But do you have any thoughts about how our health care system is working when people come back? This has happened to me personally multiple times as a family physician. Women come to see me with some problem and then they acknowledge in confidence that they have been sexually assaulted but hadn't told anyone about it. How do you think our military system works when that situation occurs?

Dr. SCHWARTZ. With all due respect, Dr. Snyder, I can't comment on that.

Dr. SNYDER. Okay. That is fine.

And, Mr. Duggan, you made a comment, I think, at the end of your report. Because I think there are a whole lot of issues here that if we could just get a handle on—we have these two fine men here today. But you suggest that a series of field hearings out there to talk. I think your point is you have to throw that net out there real wide and talk to a lot of people to, kind of—there may be problems out there we are not aware of. Is that what your point is?

Mr. DUGGAN. Yes, sir. We put that in there. And this really, kind of, falls in the category of good idea kind of thing more than anything else. I don't know how practical something like that could ever be done. But I believe one of the predecessors to the chairman here, I believe Congressman Buyer, if I am not mistaken, may have held field hearings. Well, they call them field hearings, but they were still on some of the bases like Norfolk and those kinds of places. And this was after the Gulf War.

And so, they had both, not only military witnesses, but also civilian as well, too. And I think they were trying to really, kind of, assess that in the field kind of thing, the similar kinds of things we are looking at now.

Dr. SNYDER. Yes. Trolling for problems is what you want to do just to see what is out there. I am always impressed when I go back home. I go back home every week.

And you walk into a grocery store or wherever it is and there will always be somebody saying, "I don't want to bother you, but is it okay if I ask something?" And a lot of times that is how we as members—somebody, a relative of a guard or a reserve person comes up to us and are having this problem. That happened to me at Fort Polk on Monday. And, in fact, I asked about it today at the hearing with General Shoomaker.

Mr. DUGGAN. Yes. Yes. And Doctor, to just kind of take off on that, it might be, for example, a reservist or Guardsman to have those hearings either near or perhaps even in a National Guard armory if you really want to hear how it is coming, what it is really like, kind of, thing.

Dr. SNYDER. And when I first read that, my first thought was, well, maybe you wouldn't want to do it as a hearing. Maybe what you would want to do is to set it up where as a member or a staff you would be in a private room where you would say I would like you to have 30 veterans of the war and/or their families come and see me for a brief 5-, 10-minute conversation.

Mr. DUGGAN. Sure. Sure. Yes, that kind of thing.

Dr. SNYDER. One-on-one where they would know that they would not be in a public hearing or they could just confide in you that things are going fine or everything is going fine except——

Mr. DUGGAN. Yes. Sure. You could do it that way, too.

Dr. SNYDER. And see what turns out. Yes.

Mr. DUGGAN. Yes, sir.

Dr. SNYDER. And, Corporal, I wanted to ask you. I read a little—I guess it was a note from Lynn or something about the fact that your family got notification of your injury by hearing it on the news?

Corporal THIBEAULT. Yes, sir.

Dr. SNYDER. Is that so?

Corporal THIBEAULT. The name wasn't released until after my family was notified. But my father didn't find out until he found out from my buddy's wife. She called him and told him. They called her, but they didn't call my father, which upset me.

Dr. SNYDER. Sure.

Corporal THIBEAULT. And so, he didn't know I was injured until after I was already back in the states.

Dr. SNYDER. Yes. I think as members I think we are having a problem now, too, because of privacy. I think every member would like to be notified when somebody is wounded.

Corporal THIBEAULT. That is another issue, sir.

Dr. SNYDER. At least, I don't think we are able to have——

Corporal THIBEAULT. I have another issue regarding that. There is a big problem with names being released to the press but not to the Disposition and Adjustment Board (DAB) and the Veterans' Administration to help us. They want to help us but not hurt us like some of the press does.

Dr. SNYDER. Okay.

Corporal THIBEAULT. And I think a big issue that people need to talk about is having these guys come in to represent us or to help us out so that they don't need to pay for more counselors to help us because they are already here for that.

Dr. SNYDER. Okay. That issue was brought up at our hearing, the public hearing we had this morning with General Schoomaker.

Dr. Schwartz, did you have a comment on that issue?

Dr. SCHWARTZ. No. I apologize.

Dr. SNYDER. No, that is okay.

Dr. SCHWARTZ. There has been this problem with the families. And my husband's squadron was in a mishap. Okay? A Continental United States (CONUS) mishap. In fact, my husband has had mishaps all over the place in his squadron. And being a wife, you put on the news and it is like you wait for the call. And everybody calls everybody else's wife and says, "Did you get a call, did you get a call?"

And it is just a horrible thing waiting to hear, "are you the one?" And God forbid somebody in uniform comes to the front door. They might just be in a uniform. But that kind of thing happens. And in today's age of technology and communications, it is going to be a greater and greater challenge to protect these families. And sincerely, I am so sorry it happened to the corporal. I am so sorry.

Corporal THIBEAULT. My name was released to the U.S. News & World Report without my permission. And they put my story in that magazine. And I had no—I didn't know about it. Somebody else told me about it, and I received a magazine later on.

Dr. SNYDER. Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the distinguished ranking member.

Next I am pleased to yield to both my friend, colleague and someone I admire very much: chairman of the Subcommittee on Terrorism and Unconventional Threats, the gentleman from New Jersey, Mr. Saxton.

Mr. SAXTON. Thank you very much, Mr. Chairman.

And thank all of you for being here.

Corporal Thibeault, you were how long in Afghanistan before your injury?

Corporal THIBEAULT. About five and a half months, sir.

Mr. SAXTON. And let me just ask you this. And maybe you have already given as complete an answer as there is to this, but while you were in the theater both before and after your injury, what were the aspects of health care in the way you were taken care of that you were most pleased about, that were the most positive?

And second, what do you see as the weaknesses in the system that you observed? And maybe if you can comment for some of your friends that you have been spending time with during recuperation on those two points as well, it might be helpful to us.

Corporal THIBEAULT. I didn't have any problems with treatment on the way back. I went about a half an hour without getting treatment prior to finding a medic. That is because of where I was and who I was with out in the field.

But by the time I got back, I was walking out to get some Special Forces (SF) medics to work on me. And they got me up in the chopper. The one thing I was concerned with was security for that aircraft because there have been a few birds going down over there. And I was scared of that happening while I was already injured.

But the field hospital—I went in there, they put me out. They did the surgery. I woke up. I was fine from then on. The treatment was excellent.

They are training these guys the best they can. And I wouldn't have had it any other way. The hospital is excellent. The staffing, the treatments—it is the transition period that really hurts the soldiers. And I think that needs to be a major focus in dealing with these issues.

Mr. SAXTON. The transition period meaning from—

Corporal THIBEAULT. Transitioning from the hospital back into the Army. I just reenlisted in September, so I had this as a career. This was going to be my career in life, but now it has changed. So I have to make a change in my life. It is a rapid change. So it is hard for me to make certain decisions. And I don't know everything



about getting out of the military and going on to college or doing whatever.

I need help doing that, and I don't have that help. I have been doing everything on my own and the same with some other soldiers. I think they have case workers and things like that, but they are not the ones there doing the work. We are. And I think that someone should be there to help us out and point us in the right direction.

Mr. SAXTON. Thank you. And you have obviously spent a fair amount of time recuperating in the hospital and being around other people with injuries that may be similar in nature, at least that occurred in the theater. Have you heard any kind of general themes of comments that would shed light on those two questions?

Corporal THIBEAULT. Not really, sir.

Mr. SAXTON. Okay. Thank you, Mr. Chairman.

Mr. McHUGH. I thank the gentleman.

I just want to get a couple of points clear. The gentleman asked some excellent questions. And I don't want to ask the corporal something he is unable or precluded from answering. But when you say because of the unit you were with, you were with—

Corporal THIBEAULT. I was working with counter intelligence surveillance. I am on a surveillance team.

Mr. McHUGH. Which makes—

Corporal THIBEAULT. I was working—

Mr. McHUGH [continuing]. Medical deployment issues somewhat slower than they would be for field—

Corporal THIBEAULT. Yes. I didn't have a line medic with me.

Mr. McHUGH. Thank you.

Corporal THIBEAULT. Well, we cross train, and we do Combat Life Saver (CLS) training. So everyone on my team is CLS qualified, which is combat life saver.

Mr. McHUGH. Right. The other thing is you mentioned transitioning. Can you share with us—I think of Rick Shinseki who is chief of staff of the Army, Vietnam amputee, chief of staff of the Army. What has been your experience with respect to your particular medical condition vis-a-vis your options of staying in or getting out? How has that been presented to you?

Corporal THIBEAULT. It hasn't been presented.

Mr. McHUGH. At all?

Corporal THIBEAULT. No. I would like to have a sit down meeting with the people that are working with me to get me—

Mr. McHUGH. Turn around. General Peake maybe will help you right there. Maybe he ought to be able to help you out here, Corporal. Please, I don't mean to make—

Corporal THIBEAULT. As far as medically, I am doing the right thing; therapy and things like that.

Mr. McHUGH. Sure.

Corporal THIBEAULT. But I have no—I don't know anything about a medical board. I don't have any counsel on that at all.

Mr. McHUGH. Now I had no plans to ask this. You and I hadn't talked about it. As a human being and someone who, as you said, made a clear decision that obviously was at least effective, not interrupted, that the lack of information is probably more anxiety

producing than if you knew what was going to happen one way or another. Am I probably right in that?

Corporal THIBEAULT. Yes.

Mr. MCHUGH. Yes. Okay. Thank you very much.

And I thank the gentlelady from California.

By the way, we are all volunteers, too. Nobody is on this subcommittee that didn't ask to be.

And I admire that in my colleagues and certainly admire it in the gentlelady from California who has been a leader in concern of the welfare of the troops. Ms. Sanchez. Thank you for letting me preclude your time.

Ms. SANCHEZ. Thank you, Mr. Chairman. Thank you for the time.

I actually wanted to follow-up because one of the major questions I had was this whole issue of this seamless transition. And we have heard the DOD say that about DOD to VA and how they are committed to that. But my biggest worry has been because, believe it or not, I have gotten a lot of amputees back, in particular, to Southern California.

The problem that we have had is of their not knowing what is the next step: What job opportunities there are, how do they get out, when do they get out, who is going to help them to find a job, are they eligible for training in particular areas? Can I just have Dr. Schwartz and—I can't read any more. I am getting old.

Mr. Duggan, I think it is—talk about what you have seen out there with respect to this whole transition. And I just want to say that because I believe it was Mr. Murtha who sent around a dear colleague letter talking about how he, being from Pennsylvania, had seen a lot of this happen also and how we have no jobs program or no retraining program. So I am just trying to get an idea about this.

Dr. SCHWARTZ. Yes. Thank you, Ms. Sanchez. We share a concern as well because, as we said in our testimony, when you are acutely injured or even out in the field, our folks are getting world class care. There is bar none, and we are most appreciative for what is out there. But as the servicemembers do transition into the community, where is that gap? And we believe the VA would certainly be the organization to provide those services.

And now we have increased demands upon the VA that weren't there before, and we would have to look to the VA to provide those services, once they transitioned out of DOD and are not, "veterans." But that is obviously—

Ms. SANCHEZ. But you are seeing nothing? In other words, there is no work by the DOD to come out to work with the veterans' organizations or with the VA or for the VA to work on this or for community colleges to get involved, for example, for retraining? There is really nothing out there?

Dr. SCHWARTZ. I can't comment on that. We haven't been involved in that. But maybe Mr. Duggan with the American Legion can address that.

Mr. DUGGAN. First of all, there is what is called a DTAP Program, a Disabled Transition Assistance Program, (DTAP), which is what the VA and people from the Department of Labor do for the

employment possibilities. DOD may be there as well, too, VA for sure, particularly for the severely disabled.

But outside of that, what we have seen, of course, here at the major hospitals in the area here, Walter Reed and the Bethesda Navy, have the VA people right in there as well, too. And they are supposed to be providing information, hopefully on a name basis to the VA so that it will facilitate their getting treatment from, follow-up treatment, from the VA as well, too.

Ms. SANCHEZ. When you talk about treatment, are you talking about physical and emotional therapy that is an ongoing requirement for a while, at least?

Mr. DUGGAN. Yes, it is an ongoing requirement. And, yes, when you are in the hospital that is for sure. And, yes, they stay at Walter Reed for a while, too, or they are transferred to other military MTF, military treatment facilities, as well.

Ms. SANCHEZ. But once the Army or the Marines or wherever decide, "Thank you very much for serving your country, but we can't use you anymore, not for this job."

Mr. DUGGAN. The services that I know of from my vantage point or to my knowledge are getting into that now, particularly the Army. The Army, I think, has got, kind of, a lead program. And I hope that it will be picked up by the other services as well. But it stands to reason because the Army has the greatest number.

Ms. SANCHEZ. So when you talk about this lead program, what is it that you think this program is doing?

Mr. DUGGAN. Well, what they do, what new order of change right now, Congresswoman, nucleus of the thing is just in its infancy is just starting off is that the idea is that the—and it is primarily transitioning off to, hopefully, to the veterans' service organizations and the VA And there are a number of veterans' service organizations that are going to be involved in that. What can be done? As mentioned, the only transition that we are kind of talking about is being able to help them, for example, the VA claims process.

Ms. SANCHEZ. Right, their paper work.

Mr. DUGGAN. That is the biggest trauma that they have, I think, outside of their own physical trauma and the trauma of getting out of the Army and getting back into civilian life. And that is traumatic. The idea of doing it with reduced paychecks is traumatic because even if you are 100 percent rated disabled by the military, by their physical evaluation, medical evaluation board—I don't know what the base pay of an E-4 is these days, \$2,000 or so, whatever it is.

So, if they are 100 percent, they will get that, and tax-free kind of thing. But they can't keep that as well as any rating by the VA as well, too. And we think they should. They can accept one or the other, but they cannot receive both because the two different agencies for the same kind of thing, for disability. So they give up their military disability pay with the idea of perhaps they might get a better rating and perhaps more from the VA.

That is a money problem right there. And that is a crunch. And the job thing, that is another major crunch. Just what can they do now because they are disabled kind of thing?

Ms. SANCHEZ. The concurrent issue is, obviously, one we have been working on for a while. But I am more interested that I have



lost a limb. I don't know. I am considered 40 percent disabled or whatever. They are going to give me \$300 a month for the rest of my life or what have you. I have no family or have nowhere to go. What am I going to do with my life? There is really nothing out there right now.

Mr. DUGGAN. No, not that I am aware of. Frankly, not that I am aware of, outside of the veterans' service organizations; I think they are pretty much on their own. That is my view.

Ms. SANCHEZ. Thank you, Mr. Chairman.

Mr. MCHUGH. Thank the gentlelady.

Next the vice chairman of the subcommittee, someone who has come to this Congress and taken these issues up and run with them. And we are deeply appreciative of his support and his contribution.

The gentleman from Oklahoma. Mr. Cole?

Mr. COLE. Thank you very much, Mr. Chairman.

Having missed most of the testimony because I was in another committee meeting, I just want to apologize for that, number one, to you and just express my appreciation to each of you individually for what you do for our country, what you have done and what you do for the people that defend and protect us every day. I am very grateful.

And I look forward to the next panel, Mr. Chairman. Thank you.

Mr. MCHUGH. Thank the gentleman, lady and gentleman.

Again, as I tried to indicate in my opening comments, we deeply appreciate your being here today, the contributions that all of you make, particularly the corporal and your brother in arms, the Sergeant. We deeply appreciate your sacrifices, your contributions and what you have done for us here today in helping us to face up to the realities of these conflicts. So with our thanks and blessing and deepest appreciation, I would ask if you would please dismiss.

I would also say perhaps other members may have written questions. If that is the case, we would appreciate your cooperation in submitting written responses for the record in return. But thank you for your leadership and your concern. Appreciate it.

[Recess.]

Mr. MCHUGH. If I may introduce the second panel before we begin with their comments. First is William Winkenwerder, Jr., M.D., Assistant Secretary of Defense for Health Affairs, Department of Defense.

Dr. Winkenwerder, welcome.

Lieutenant General James B. Peake, Surgeon General of the Department of the Army. Our first two witnesses are hardly strangers to this Hill, to this conference room or to this subcommittee. And we are pleased to welcome them back here today.

Sergeant Major Kenneth O. Preston, Sergeant Major of the Army.

Sergeant Major, welcome, sir.

Michael J. Kussman, M.D., Deputy Chief Patient Care Officer, Co-Chair of the Department of Veterans' Affairs Task Force for the seamless transition of returning servicemembers, Veterans' Health Administration, Department of Veterans' Affairs.

Dr. Kussman, thank you so much for being here, sir.

And Dr. Kussman is accompanied by Susan Mather, M.D., MPH, Chief Officer of the Public Health and Environmental Hazards Division of the Department of Veterans' Affairs and Laurent S. Lehmann, M.D., Chief of the Mental Health Strategic Health Care Group of the Department of Veterans' Affairs who will be here for response to questions. As I understand it, Dr. Kussman will be presenting the oral testimony.

Welcome to you all. Thank you so much. I think, to the first panel we have posed some questions and issues that we may indeed wish to pursue during the ensuing dialogue. But for the moment, we do have all of your written testimonies in their entirety. Without objection, we will enter those into the record in their entirety. And as I have advised certain members of the panel in past testimony, we would deeply appreciate your ability to summarize to the greatest extent possible those written comments.

So with that, Mr. Secretary, thank you for being here.

**STATEMENT OF DR. WILLIAM WINKENWERDER, JR., ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS; DR. MICHAEL J. KUSSMAN, DEPUTY CHIEF PATIENT CARE OFFICER, CO-CHAIR OF THE DEPARTMENT OF VETERANS' AFFAIRS TASK FORCE FOR THE SEAMLESS TRANSITION OF RETURNING SERVICE MEMBERS, VETERANS' HEALTH ADMINISTRATION, DEPARTMENT OF VETERANS' AFFAIRS; ACCOMPANIED BY DR. SUSAN H. MATHER, MPH, CHIEF OFFICER, PUBLIC HEALTH AND ENVIRONMENTAL HAZARDS, DEPARTMENT OF VETERANS' AFFAIRS; DR. LAURENT S. LEHMANN, CHIEF, MENTAL HEALTH STRATEGIC HEALTH CARE GROUP, DEPARTMENT OF VETERANS' AFFAIRS; LT. GEN. JAMES B. PEAKE, MD, SURGEON GENERAL, DEPARTMENT OF THE ARMY AND SGT. MAJ. KENNETH O. PRESTON, U.S. ARMY**

Dr. WINKENWERDER. Thank you.

Mr. MCHUGH. Good to see you again. And we look forward to your comments today, sir.

Dr. WINKENWERDER. Thank you, Mr. Chairman. Mr. Chairman and members of the committee, thank you for the opportunity to appear before you today to discuss the department's force health protection program. Today we have more than 253,000 servicemembers, men and women, deployed in support of our nation's defense, including those serving in Afghanistan and Iraq. DOD is firmly committed to protecting their health, both before, during and after these deployments.

And before I continue with my comments, I just want to salute the two young servicemembers here today and thank them for their service, for their courage and for their sacrifice for their country. I appreciate it.

I have provided a more detailed written statement, as you have said. But let me just highlight some of our major force health protection efforts. Protecting our personnel who deploy in harm's way is a primary mission of the military health system. Our objective, obviously, is to recruit and maintain a healthy and fit force to prevent disease and injury among servicemembers throughout their military service careers, including deployments, and to provide

medical and rehabilitative care to those who become ill or injured as part of this service.

We maintain the health of our force through health promotion, wellness programs, routine medical and dental examinations and periodic preventative health assessments. When medical conditions are identified, we have a robust program under TRICARE to ensure appropriate care for servicemembers and, in fact, for all our beneficiaries.

To ensure our forces are fit to deploy, we review key indicators necessary for deployment. Last year, we developed a new metric. It is called (IMR), Individual Medical Readiness. This is a new tool for us. And it captures the individual's readiness status from a health perspective.

We use indicators in the area of medical and dental health, deployment limiting conditions, required immunizations, required laboratory samples, required equipment items, things like protective masks and hearing protection, eyeglasses and all of that together to calculate an overall readiness score. And this is a tool for commanders, not just for medical people. It is now being used by the services.

And it is a powerful tool that both protects forces and assists commanders in knowing what the readiness of their troops are. And it is used not just in the active, but also in the reserve community.

The department protects deploying forces with appropriate vaccines against potential biological weapons. We have successfully immunized servicemembers from two deadly agents, both small pox and anthrax. More than 580,000 people have been vaccinated against small pox using a comprehensive program of education, screening and follow-up.

We have achieved a safety performance, I am proud to say, similar or superior to that seen with small pox vaccine used in earlier decades. And we lead the nation, DOD does, at this point in time, in terms of collecting and sharing information about the small pox vaccination. We are really the largest source of vaccinated people in the world today.

Because this vaccine does have inherent risks, we developed four specialty sites in the vaccine health care center network to provide good care and advice in the rare situations where there are serious adverse events after a vaccination. Over a million members have been vaccinated against anthrax. Despite our recent operations tempo, 82 percent of those were given on time. And we are working to improve that rate.

Let me just mention the issue of refusals on anthrax vaccinations. Those numbers are really very, very small, literally on a couple of hands, which is contrary to some of the media reports you may have seen that suggest that there are, in fact, hundreds of people who have refused. That is not our experience since 9/11.

In all of our vaccination programs, the focus is on safety and protection. The Institute of Medicine concluded with respect to the anthrax vaccine that it is safe and effective against all forms of anthrax, including inhalational anthrax. And on December 30th recently of 2003, the Food and Drug Administration issued a final rule that supported that decision.



To support our forces in the field, we deployed preventative medicine teams that conduct comprehensive surveillance and environmental and health surveillance. That collected data is centrally archived. If an environmental hazard is identified, we record the demographic and exposure data and conduct further testing and treatment as required.

For operations in Iraq, we introduced for the first time this past year an electronic medical surveillance system called Joint Medical Work Station, or JMeWS, is our acronym for it. This system provided near real-time surveillance information for commanders related to patterns of illness and the medical availability of medical resources.

During Operation Iraqi Freedom, we used far-forward surgical and medical teams and technologies to care for casualties within minutes of injury, as the example that the young servicemember just talked about. It took about 30 minutes. We don't like it to be any more than that. There is that golden hour that we try to get to people to take care of traumatic injuries.

Based on current analysis, more than 98 percent of those wounded who, in fact, reached medical treatment survived their injuries. And one-third of those returned to duty in 72 hours. That is a remarkable statistic, really the lowest we have ever seen in military history, that more than 98 percent of people survived those injuries.

The rate of disease and non-battle injuries among our deployed forces is similarly low, in the area of four percent. We attribute these low values in part to improved health screening, pre-deployment and comprehensive preventative health management during operations.

There was a mention about medical evacuations. Of the patients evacuated from Iraq since operations began—and I think the number was quoted earlier as around 11,000—approximately 87 percent of those were moved for routine, non-life threatening care. So I want to make clear that the vast majority of these are not urgent or critically ill patients. In fact, most are for rather routine causes.

Let me touch on the issue of mental health. Our forces face threats to their mental health, let there be no doubt, from depression to acute stress disorders to suicidal ideation and thoughts. The services and specifically the Army have developed and deployed mental health teams to monitor and manage stress and provide care in the theater. And I am sure General Peake will be able to talk about that in just a moment.

The Army also sent a team to assess risks and adequacy of our current interventions. One of the recommendations, I understand—and again, General Peake can go into this in further detail—was to adopt a more garrison-based suicide prevention program to be more outreaching to those people and not wait for them to come in, but to reach out to them.

While one death clearly from suicide is a tragic event, we are continuously monitoring suicide rates to determine what the specific reasons and causes are. And while the suicide rate for those who have been deployed in Iraq is higher than for Army personnel who have not deployed in the past year or so, it does remain lower—and I think this point is important—than the overall rate

for the same group of young Americans when you adjust for their age and their gender. And so, that is an important point to note.

We deploy troops to areas where malaria is a threat. In 2003, we did have 80 cases of malaria for the troops that went into Liberia, and that was a concern. I think what we learned from that effort is that there was need for better compliance with anti-malaria medications. And we will touch on that issue as well.

One of the medications used to protect against malaria is mefloquine or otherwise known as Lariam. And while it is FDA approved, there are precautions associated with the use of mefloquine. The FDA cautions that mefloquine should not be prescribed to people with an active or recent history of a significant mental disorder such as depression or psychosis.

Now we follow all the FDA guidelines for using this medication. Every servicemember is screened and receives information about possible side effects before taking the product. That is our policy, and that is what should be done.

Additionally, I want everyone to note that I have directed a study to assess the rate of adverse events to include suicide and neuropsychiatric outcomes that may be associated with the use of Lariam or other antimalarials prescribed to deploying servicemembers. And that study has already been started. And hopefully we will get some answers to some of the concerns that have been expressed.

After deployment, all servicemembers complete a health questionnaire and they are screened by providers to assess any health concerns. Blood samples are taken and archived, and all deployment health records are maintained in the individual's permanent health records. These records are available to the VA.

In January, we introduced a quality assurance program to track compliance with pre and post-deployment health programs. I receive regular reports on this data, including information on health status, health and mental and medical concerns and the number of referrals for specialty care that have occurred after deployment.

Since January 2003, more than 90 percent of over 300,000 servicemembers who have returned have reported that their health status is either good, very good or excellent. And I think that is good news. And I was certainly pleased to get that report just recently.

DOD partnered and we are working closely with the Department of Veterans' Affairs to develop clinical practice guidelines specifically for personnel returning from deployment. These guidelines are useful for clinicians when caring for servicemembers who have deployment-related concerns. And they help with managing complex illnesses and conditions.

Let me talk for a minute about the issue of reservists and reserve benefits. The benefits, the temporary benefits that the Congress passed in 2003 are now being implemented. By extending TRICARE eligibility post-separation and by extending eligibility for care through the VA for up to two years, we are better positioned, we believe, to identify and track medical concerns. And to facilitate care for separating servicemembers, we have mandated pre-separation counseling through the Transition Assistance Management Program.

To better coordinate care between the DOD and the VA, health information such as tests and discharge summaries is being shared through the Federal Health Information Exchange.

And finally, to enhance coordination of care, the VA has placed social workers in several of our hospitals to enroll wounded servicemembers with the VA before they are even discharged from our facilities. In my judgment, our relationship with the VA is working better than it has ever worked. That is not to say that there are not some problems and issues that we need to continue to work on and to improve, but the working relationship is very good.

Let me just close by saying I am proud of the progress that has been made to improve force health protection for our servicemembers. It is certainly a distinct privilege to serve our servicemembers. We have accomplished much, but we have more that we can do and more that we will be doing in the year ahead.

So thank you and I look forward to addressing any of your questions.

[The joint prepared statement of Dr. Winkenwerder and General Peake can be found in the Appendix on page 172.]

Mr. MCHUGH. Thank you very much, Mr. Secretary. As you have heard, we have a vote called. Actually we have two votes. If I may impose upon the goodwill of our presenters to stand at ease, we will try to get back as soon as we can. And we can then hear from our remaining witnesses. I would appreciate that. So we will stand at adjournment. Thank you.

[Recess.]

Mr. MCHUGH. We will reconvene the hearing. The good news is that is the last vote of the night. And it is only good news.

So again, Mr. Secretary, thank you for your testimony.

To the rest of you and to Secretary Winkenwerder, thank you for your patience in sticking with us.

And next we are honored and pleased to welcome no stranger, as I said in my opening comments, to this committee room, to this subcommittee certainly, the Surgeon General of the United States Army, General Peake.

Welcome, sir.

General PEAKE. Mr. Chairman, Congressman Snyder, members of the committee, it is really good to be with you again. Last week, I was in Iraq. I know you were in Afghanistan. I had a chance to visit with the senior Army leadership from General Sanchez to the 4th Infantry Division (ID) commander to the 1st Armored Division and with the medical leadership that is now in place for Operation Iraqi Freedom II (OIF).

The issues of force health protection are clearly high on their priority lists. And as I had a chance to visit with the soldiers at the grass roots of the medical system, those on their way out to patrol the streets of Baghdad, those providing care at the confinement facilities, those in the combat support hospitals in Tikrit and in Baghdad, I can tell you the sense of commitment and mission focus on the full spectrum of health of the force is there in spades.

First, living conditions have improved significantly since I was there last in July. My Army secretary's strong emphasis on this has really given a cleaner environment with most areas providing



climate controlled billets now, excellent dining facilities and overall improved living environment. And I do believe that will make a difference as we get back into the intense heat of the summer.

In both divisions that I visited who are both looking to return home in the next few months, I found tremendous support from the top leadership on down for our organized and disciplined reintegration program that is part of our overall Army deployment cycle support plan. The commanders understand the importance of the post-deployment health surveys and are embracing the electronic capture of this data wherever possible.

Nearly 50 percent of our electronic submissions come directly into the Defense Surveillance System electronically out of Iraq and nearly 100 percent are electronic out of Kuwait. As these are stored electronically in a central database, they are available to clinicians to review whenever and wherever they happen to be and will be likewise available to VA clinicians when the patients are seen in that system.

We are working toward a seamless environment that I know you envision for us. As we get ready to field our Center for Health Care Strategies (CHCS) II across the military health system, this important post-deployment health survey really becomes virtually the first page of our computerized patient record.

Another aspect of surveillance is our environmental surveillance. And that has produced more than 2,300 samples, both routine and targeted, of soil, water, air with more than 77,000 analytes to characterize the environments into which our soldiers have deployed. Further, this information is archived at the Center for Health Promotion and Preventive Medicine.

It is available to units themselves over a secure Web site all around the world on demand. We also share the common operating picture of unit locations through the blue force tracking that allows us to make the correlations should concerns arise.

Let me give you an example. When the soldier is accompanying contractors who are reconstructing the water plant in Iraq it raised a concern about potential industrial chemical hazards, one of our Center for Health Promotion and Preventative Medicine (CHPPM) environmental teams went to the site, worked with the British coalition partners as well as our own folks, examined the unit, tested blood, tested pulmonary functions, found no effects, no blood levels and appropriate cleanup of the chemicals is done. The information was archived and clearly communicated to the unit all while the unit was deployed.

Another example, at Karshi-Kanabad in Uzbekistan in 1991, we occupied an old Russian base. I think we talked about that in a previous testimony. Environmental hazards were identified and abated. But since then, we have received and archived weekly preventive medicine reports, including the results of routine water testing, received and archived sporadic reports of other topics of preventive medicine interest, like pesticides and dining facility inspections.

And most importantly, our environmental experts at CHPPM maintain contact with the Combined Joint Task Force's (CJTF)'s 180 surgeon staff to assure that rotating personnel are aware of the history there at K2 and that the risk mitigation put in place

early on is maintained and that the attendant need for health risk communication has been accomplished. Now that is longitudinal, institutional attention to force health protection.

I may have mentioned Tony Intripido, one of our majors at a previous testimony. He is one of our environmental scientists who spent a lot of the time at the Hart office building cleaning up after the anthrax. Since then, he has led teams to do environmental sampling at ports in Kuwait and in the oil fires that we had in Iraq. He represents the kind of great people who take this responsibility very seriously.

We have had a number of teams all through this theater looking at various health issues. You are familiar with the teams we sent to investigate what we were concerned might be unusual pneumonia outbreaks and found a diverse set of causes without any epidemiologic evidence of a related outbreak, or the team of experts that we deployed into country to deal with the leishmaniasis related to sand fly bites and the centralized treatment we set up back at Walter Reed to ensure that we met all FDA requirements in the treatment protocols.

Now we have expanded to another center at Brooke Army Medical Center in San Antonio and will soon make available a thermal treatment that can be used for appropriate cases at home station. We have provided extensive information to redeploying soldiers about this disease. This is also a part of force health protection.

Another team was the mental health advisory team that has been alluded to earlier that was invited into the theater by the leadership to assess the mental health status of soldiers looking at care available in theater, care through the system and at suicides. It is unprecedented to have this kind of look at this point in a combat operation. And the theater leadership provided access around the theater and soldier available for surveys and interviews all at the peak of the heat of the Iraqi summer.

They found the stressors that you would expect, environmental, family separations. And then so soon post the rush to Baghdad, many had seen some severe wounding. The team reaffirmed that far forward care was effective and helped keep soldiers from becoming psychological casualties.

Some of our mental health teams were doing this better than others. And the visit refocused everyone on the forward outreach approach to mental health. As they walked back through the system, there were opportunities to improve as issues of continuity of care as the soldiers moved through the system, and those have been tightened up.

Surgeon evacuations in the summer were analyzed, and the percent of mental health evaluations really remained about the same, 8 to 10 percent of evacuations, as at other times and during this operation and in other operations. The team did find something that we have recognized in other studies of soldiers—the concern of stigma of assessing mental health assets. And getting the mental health assets forward and easily available cuts this down. But I know it doesn't eliminate it.

On my visit last week to the 1st Armored Division (AD), the combat stress teams that were down in the units were specifically commented on as a real value add to the soldiers by the leadership as

was the improved ability to communicate with family back home. Each of the young soldiers I spoke to had an opportunity to access e-mail on a regular basis and access to periodic Morale, Welfare, Recreation (MWR) phone calls.

The rise in suicides last July was not sustained in subsequent months, although it was a real concern at the time that it might represent something aberrant. Clearly, even a single suicide is one too many in our Army family, but let me just review those statistics.

By the year 2003, there were 21 OIF in-theater suicides. This is a rate of 15.8 per 100,000. There are an additional five cases from 2003 that are still being investigated. But overall in the Army for 2003, there were 61 suicides, including those in-theater for a rate of 12.4 per 100,000. And there are still six total pending investigation.

When one looks at the United States population, as Dr. Winkenwerder spoke about, 20-to 34-year-old aged males, the rate is 21.5 per 100,000. From 1995 to 2002, the Army rate has been between 9.1 and 14.8 per 100,000, so we are a bit higher in this combat period.

The issue of Lariam does come up. Of the 21 confirmed suicides in-theater, only 4 soldiers were in units taking Lariam. We do know the documented side effects of this medicine that we use to protect soldiers from a deadly form of falciparum cerebral malaria. We do use alternate prophylaxis when indicated, but we do not believe that this represents the big causal factor in our suicide rates.

What the team did note that failed intimate relationships, legal problems and financial problems, the same kind of issues that you see back home related to suicide, seemed to be the predominant triggers in-theater as well. The program to provide assistance to soldiers and their families as the troops rotate home is an important part of protecting the force and is the focus of our Army leadership.

I have already commented on the post-deployment health assessments, and this further includes a serum sample that goes into our repository and a T.B. test. The focus is on reintegration with briefings in-theater first, a period of part-time with the family and part-time with the unit back home before going on block leave once the soldier returns and what we call the Army One Source that you have heard about earlier. It is actually a civilian model of an employee assistance program.

Our soldiers and their family members can access a 1-800 number or Web site 24 hours, seven days a week with any family, counseling, adjustment concerns at any time—I think we passed out one of the tri-folds for you to take a look at it. It de-medicinizes things as simple as family counseling, which, without a formal diagnosis, is not a TRICARE-covered benefit. This is another way to attack the perception of stigma around mental health access. We have placed so far 47 of 58 post-deployment care managers into our primary clinics to be immediately available so you don't have to go someplace else to access a mental health kind of assistance or counseling.

Force health protection is so many things from vaccinations to vision protection to body armor to hand washing at the mess halls



to increasing the number of combat life savers that Corporal Thibeault talked about within the units. And all of these things and many more are being done and emphasized by our superb line commanders, which is the key to it. I am proud to be on this team.

And I look forward to answering your questions, sir.

Mr. MCHUGH. Thank you very much, General. Again, we always deeply appreciate your being here.

Next, as I introduced earlier, Sergeant Major Kenneth O. Preston, Sergeant Major of the Army. Sergeant Major, thank you for being here, and we look forward to your comments, sir.

Major PRESTON. Thank you, sir.

Mr. Chairman, Dr. Snyder, distinguished members of the committee, now what I would like to do is start and introduce Command Sergeant Major Michelle Jones who is here with me also, the Command Sergeant Major for the Army Reserves.

Mr. MCHUGH. Thank you for being here, Sergeant.

Major PRESTON. It is a tremendous honor to sit before you today and represent 1.2 million members of our great Army. As we speak this afternoon, we have soldiers deployed to more than 120 different locations around the world. And, of course, the deployment and redeployment into and out of Iraq is currently ongoing.

Over the past year, I have served as the 5th Corps and the combined joint task force 7th Command Sergeant Major in Baghdad, Iraq. And I served there with General Sanchez and before General Sanchez, General Wallace.

I was very honored to serve alongside soldiers from all parts of our great nation. And many of you have visited these soldiers in the streets of Baghdad, the outposts of Afghanistan and the hospitals like Walter Reed Army Medical Center.

As the senior enlisted soldier in Iraq, the safety, health and well-being of our troops was my principle focus. I traveled all over Iraq and Kuwait to ensure leaders were talking to their soldiers about the challenges and stresses of combat and keeping soldiers informed. I checked to ensure that leaders were enforcing standards and ensuring soldiers were properly equipped to accomplish their missions.

Soldiers are the centerpiece of all of our formations. We continue to make advances in weaponry and technology, but wars are fought and won by soldiers. After the fight, it is imperative that we care for these men and women physically and mentally. We must take care of the soldiers' families and ensure they receive the reintegration counseling following a long deployment.

We have made great strides in my last 28 years of service. All the lessons from Desert Storm to the present were incorporated into our soldiers' transition returning from Afghanistan and Iraq. We aggressively screen and prepare soldiers for the health risks that they may face before deployment. We provide world-class treatment on the battlefield and rescreen and educate soldiers and their families when they return home.

Our in-theater medical care has never been better. From our stress control teams to our emergency medical technician trained medics, on the battlefield, soldiers are getting better care in combat than they have before in history.

Since 9/11, we have lost more than 545 and treated more than 2,600 soldiers, civilians and contractors during Operation Enduring Freedom and Operation Iraqi Freedom. Each of these men and women has demonstrated tremendous personal courage and sacrifice in the defense of our nation. We owe each of them a tremendous debt of gratitude. Without a doubt, many of these wounded soldiers would not have survived without the latest in force protection equipment and medical treatment.

Our deployment cycle support program is improving every day. And we continue to capture lessons learned and apply them quickly to make operations better.

I thank you for your continued support both here and during your visits that you have taken into Iraq and Afghanistan. And thank you for this opportunity to appear before you today. And I look forward to your questions.

[The prepared statement of Major Preston can be found in the Appendix on page 179.]

Mr. McHUGH. Sergeant Major, thank you. I mentioned earlier I just returned from Afghanistan. I had the honor of jogging—I jogged, they ran—with several of the sergeant majors. And obviously at all levels, the sergeant majors are the ones who care most about the men and women in uniform, the enlisted ranks. And they are the ones—you are the ones—to whom they look for support and guidance. And we appreciate your leadership in that area.

Next we have Dr. Michael Kussman, deputy chief, patient care officer and co-chair of the Department of Veterans' Affairs Task Force for the Seamless Transition of Returning Servicemembers, Veterans' Health Administration, Department of Veterans' Affairs.

Dr., your business card has to be, what, 5 foot by 8 foot?

Dr. KUSSMAN. You are too kind, sir. It doesn't have all that on there.

Mr. McHUGH. We are honored that you are here, sir, today. We look forward to your comments. Thank you.

Dr. KUSSMAN. Thank you, Mr. Chairman and distinguished members of the subcommittee. I appreciate the opportunity to appear before you today to discuss our efforts toward a seamless transition for separating servicemembers from DOD's health care system to the VA's health care system.

You were kind enough to recognize Dr. Mather, our chief officer for public health and environmental hazards, and Dr. Lehmann, chief consultant for mental health. I would like to recognize one other person, Mr. Ronald Henke, who is our director of compensation and pension services for the veterans' benefits. And he is here sitting behind me and so, would be available to answer any questions specifically about some of the questions that came up earlier.

Working with DOD, the VA has put into place a number of strategies, policies and procedures to provide appropriate services to returning servicemembers. The VA has successfully adapted many preexisting programs and has improved outreach, clinical care and VA health provider access to DOD health records.

I have submitted a full statement for the record and at this time would like to just summarize briefly some of the things that were in that full statement. Last August, the VA's under secretary for benefits and under secretary for health created a task force for the

seamless transition of returning servicemembers. This task force focused initially on internal coordination between the Veteran's Benefits Association (VBA) and Veteran's Health Association (VHA) as we approached its mission in a comprehensive manner.

This was rapidly expanded to incorporate representatives of the DOD, which has led to improved dialogue and collaboration between our two departments. Each VA facility and each regional office has identified a point of contact to ensure that the needs of returning servicemembers and veterans are met. The VA distributed guidance on case management services to its field staff to ensure that proper coordination and processes are followed.

We have placed full-time benefits personnel as well as VHA social workers in several military treatment facilities. They work closely with military medical providers and DOD social workers to assure that returning servicemembers receive information and counseling about VA benefits and programs. VA actively participates in the discharge planning process for servicemembers who, due to injuries or illness suffered in Operation Enduring Freedom (OEF) or OIF, are in the process of transitioning from DOD to the VA.

We have also expanded our collaboration with DOD to enhance outreach to returning members of the reserves and National Guard. I would refer you to a Web site that is on the VA home page that is specifically for OEF and OIF. It is a marvelous Web site that has gotten great raves from servicemembers and their families as they look for information related to this transition.

A critical concern for veterans and their families is the potential for adverse health effects related to military deployments. The VA has produced brochures that address the main health concerns for military service in Afghanistan and Iraq and has recently distributed another on health care for women veterans returning from the Gulf region.

Mr. Chairman, based on lists of separated veterans received from DOD, we have estimated that as of December of 2003, 9,753 Iraqi Freedom veterans and 1,798 Enduring Freedom veterans have received health care from the VA for a wide variety of health problems.

For returning servicemembers who are experiencing emotional and behavioral problems, the VA has programs specifically developed to assess and address emotional and behavioral problems associated with military experience. Within its mental health programs, VA operates a comprehensive continuum of health care for PTSD in its medical centers and clinics.

Our mental health clinical activities are linked to and supportive of our vet center activities. Last year, vet centers began expanding readjustment counseling services to all Enduring Freedom and Iraqi Freedom veterans. As of December of last year, vet centers had served 4,300 of these veterans.

In response to a question that was asked earlier, at the secretary's direction, Mr. Principi, the vet centers have opened up services for family members as well as the returning veterans. He has also developed a number of tools to assist the clinician when treating Iraqi Freedom and Enduring Freedom veterans. These include a computerized clinical reminder triggered by the veteran's



separation date, the veteran's health initiative program and clinical practice guidelines.

Two post-deployment clinical practice guidelines have been developed in collaboration with DOD, a general purpose post-deployment guideline and a guideline for unexplained fatigue and pain. The VA and DOD will also release a new clinical practice guideline on the management of traumatic stress by the end of this month.

The VA and DOD are also collaborating to develop the ability to share medical information electronically. Patient data and laboratory results, radiologic reports, outpatient pharmacy information and patient demographics are now being sent from DOD to the VA via secure messaging.

The VA and DOD are now developing prototype interoperable data repositories that will permit bi-directional data exchange with pharmacy information by October of this year. The departments will achieve health information interoperability hopefully by the end of 2005.

Mr. Chairman, servicemembers separating from military service and seeking VA health care today will have the benefit of our decade-long experience with Gulf War health issues as well as the President's commitment to improving collaboration between VA and DOD. As Secretary Principi has stated, we will have failed to meet our very reason to exist as a department if a veteran is poorly served.

This concludes my statement. My colleagues and I are happy to respond to any questions that you or other members of the committee might have. Thank you.

[The joint prepared statement of Dr. Kussman, Dr. Mather, and Dr. Lehman can be found in the Appendix on page 183.]

Mr. MCHUGH. Thank you very much, sir. And thank you again for being here.

And we appreciate those others who have joined us here today to possibly respond to our questions.

The good news here, I think, as we have heard from our panelists also equally if not more important as we have heard from our military presenters, Corporal Thibeault and Sergeant Craft—and Sergeant Craft didn't address this subcommittee, but I had a chance to chat with him beforehand. And as Corporal Thibeault did indeed testify, Sergeant Craft felt the level of care, medical care that he received along with Corporal Thibeault was outstanding. And that is the good news.

And I commend all of you for playing an instrumental role. And I certainly agree with the assessment, I know, that General Peake and Secretary Winkenwerder made that indeed military health care assistance, particularly on the battlefield, is the best ever. The challenge of your success is we are having survivals today that result in devastating injuries that 10 years ago, perhaps less, would have been battlefield fatalities. We need to care for those. You understand that.

But I would like to start with a couple of what I hope are quick questions with respect to some of the anecdotal things we heard from the first panel, particularly from Corporal Thibeault. His statement was kind of surprising to me. I had no idea he was going to say it. In his experience, every single servicemember who took

Lariam had a demonstrable reaction. So the significance of the severity of that, I suppose, varies from member to member.

I would be interested in, of course, General Peake and Secretary Winkenwerder's comments about that general anecdote. But also what is our experience with respect to the vaccination program, vis-a-vis small pox and others with respect to the civilian vaccination program? In other words, how do they compare with reaction, safety, et cetera?

And what, if anything, are we doing to limit the adverse reactions of those? It is a highly controversial issue, particularly on the Lariam side; some ongoing studies. But just for the record, I would be interested in your comments, whichever of you would like to go first.

Dr. WINKENWERDER. Why don't I make a comment? And then—

Mr. MCHUGH. Mr. Secretary.

Dr. WINKENWERDER [continuing]. I would like General Peake to join in. The comments that the corporal made were of concern to me as well because it certainly reflects a perception, and certainly perceptions can become realities when they are widely held that this medication is widely problematic. The medication is an FDA approved and licensed medication that is used outside the military. I don't believe we are the only users of this medication.

We have some efforts going on to try to track this down, this issue down, and better understand it. First is we have a study that is ongoing to look at perceptions and to survey our own servicemembers about their perceptions to better understand whether what the corporal had to say is just among the people he knows and talks with or whether it is really a broadly held view across all the services. How many people believe this, and why do they believe it and so forth? So we will learn something about that. That study is ongoing.

Second, more to the point of a scientific study to look at whether there are, in fact, any adverse outcomes that are serious. I have directed that that be initiated. And we have just gotten started on that.

Typically those—I want to caution for any quick answers on that. Typically those kinds of studies take many months to as much as a year even up to two years to really do a good scientific study to look at a controlled group, a case group and trace back to see if there is a relationship here between real adverse outcomes. So we have to do both of those things.

I would turn to General Peake as well in terms of anything else he would care to add on this issue. It is an important concern for us, obviously.

General PEAKE. I will just say it is important in a couple of ways. One is we do use it to protect soldiers from something that could kill them. And we have had soldiers die of cerebral malaria, and the Marines have had that same kind of experience. So where we can have a non-chloroquine resistant kind of environment, we can go to chloroquine and these other prophylaxes, and we will.

But where we have that risk and it is the appropriate thing to do is to use mefloquine because it will protect, we are very comfortable with that. But I think it is important for us to do this

study. And I support that, sir. Because what we want is the confidence of the soldier to be able to take it. Because as you heard Corporal Thibeault say, he stopped taking it. And we have had those kinds of issues before, too.

We did go through the full FDA approval process and so forth. And so, there is a Web full of people who have mystique about Lariam. We still feel it is—especially in a resistant environment—the appropriate treatment or the appropriate prophylaxis.

It is also important to use this treatment in certain cases of malaria. So it is—I think the right thing to do is to take a good, hard look at it and to dispel what myths are there and find out what the facts are.

Mr. MCHUGH. Appreciate your comments. The reason you study things is to discover new things. I understand that. And you both have just said you have a study going on.

But based on what you know right now, is your adverse reaction experience with respect to Lariam specifically, significantly different than what—and Secretary Winkenwerder mentioned, you mentioned, sir, there are others outside the military that have used this—is it significantly different, that is, higher? Or are they pretty much the same as far as you know?

Dr. WINKENWERDER. I don't have the answer to that question.

General Peake, do you?

General PEAKE. My sense, sir, is that we don't think it is as big a problem as has been made out. When we look at a measurable event, and if the measurable event is suicide—we looked at the Fort Bragg stuff, as we spoke to you before—you couldn't nail that down. And we tried to see if there was any correlation there. And we couldn't make it.

And the 21, as I mentioned in my testimony, of cases of suicide in-theater, only 4 of those soldiers were in units that took Lariam. Only one did we detect the Lariam in the post mortem sample. So we don't think that that was—we don't see that as a causal factor there.

Mr. MCHUGH. Okay. But it is an issue under study?

General PEAKE. Yes, sir.

Mr. MCHUGH. Let's talk about suicides for a moment. One of the concerns we have heard—and General Peake, you just mentioned 21 in-theater—one of the concerns we have heard is that statistically the services, in this case the Army, is not considering those who have been redeployed in suicides. And that is of particular concern, it seems to me, given our utilization of the reserve component, guard and reserve.

General PEAKE. Sir, it is not an attempt to try to skew it. The problem is what is your denominator. So we can look in-theater and we can look at how many, what the number, 100,000 man-years, how many man-years you have. We have had six suicides. As of now, I think it is six who are folks who had deployed to OIF and then returned and committed suicide.

I wouldn't necessarily say that is a direct correlation. It is just that that is the body. And you say, well, okay, what is the denominator to create? So it is not a matter of saying that there is not an issue and we are looking at it.



But I can tell you if you look at those that have died in-theater, it is a rate of about 15.3 or 15.4, something like that. And with the potential now of what we are looking at of—I think there are five still potentially pending—some of them may not turn out to be suicides, some may. Even if you add all those together, it would be less than what the national average would be.

But it is not to say—I can't tell you exactly what the denominator would be if you added in all the people that have come and gone.

Mr. MCHUGH. And I understand that.

General PEAKE [continuing]. A matter of math.

Mr. MCHUGH. Pardon me? I am sorry.

General PEAKE. I am not trying to oppose—

Mr. MCHUGH. No, and I am not accusing you of that. We are here to discuss the lay of the land and to learn. But what are you doing about either the ability to counsel or the ability to factor those who have redeployed after obviously having been deployed to those two theaters? I am speaking specifically Iraq and Afghanistan,—to either factor in those suicides are equally important to make sure that there is some sort of care for those who are—particularly in the guard and reserve.

If you come back to a base and you are redeployed, at least you are in an environment where you can just walk across the compound and receive help. If you are redeployed from the reserve component, guard or reserve, you go home and you are in your community and you don't have that support network.

General PEAKE. Yes. That is true.

Dr. WINKENWERDER. Let me just make a comment on that.

Mr. MCHUGH. Please.

Dr. WINKENWERDER. It is important. We are looking at it. We are going to continue to look at it and try to improve our surveillance.

I just want to mention a task force that I recently appointed to look at the whole issue of post-deployment care and follow-up for reservists specifically following their deactivation. And I have asked Dr. Kilpatrick who is here with me today as well as our chief information officer—because some of this is a matter of tracking information and being able to communicate with the VA, with the local guard or reserve unit, with the DOD and bringing information together so that we can follow people.

The sources of care, I believe, are available to people. As we have mentioned, people have six months of continued eligibility under TRICARE. And they also have eligibility through the VA assistance.

So I am not as much concerned about the availability of care as I am someone following up on that member who looks like he or she might have an indicator that they might have a problem. And that is the kind of system we are looking to try to create.

Mr. MCHUGH. We weren't aware of that, and I am thrilled to hear it because I agree. Utilization is a very important challenge here. It is not like if you redeploy from a guard and reserve unit you are going home to the plains. Or you may be. But, it is not deserted.

There are means of care. But it is the utilization of that. And clearly, in this new seamless total force, we are utilizing guard and

reserve units to an extent that I don't believe we have, if ever, certainly in some time. And we need to take that into consideration. So I am delighted to hear your response.

I don't know, General Peake, if you want to add anything.

General PEAKE. I would just add just maybe the point that you made that there is—the guard and reserve leadership is becoming, because of this environment, more attuned to their responsibility as the soldier's commander. So they are really not just in the plains by themselves. They are with their unit and the support groups that the guard and reserve have been standing up. There is a camaraderie out there that I think is maybe different than what it was in the past.

And I think they will be very instrumental in trying to identify the ones with problems. And then, as has been pointed out, there really is the availability for them to access care.

Mr. MCHUGH. All right. Thank you. I have a couple more questions.

I am going to yield to my colleagues, particularly the ranking member, Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman.

I am not sure who to address these questions to, Mr. Secretary or General Peake. So I will just throw them out there. You heard the issue—I think it was Mr. Duggan that brought it up—about the possibility of the guard and reserve forces keeping their private insurance and that maybe we can set up some kind of way of giving them a choice between going to the TRICARE program and activation. And you heard that discussion.

Do you have any thoughts? Or has that figure been determined about what it would cost, what it will cost, TRICARE would cost the Federal Government, how much money per person? And then if there is a way then of looking at giving that money as a voucher or something to help pay for private insurance. Does that idea appeal at all?

Dr. WINKENWERDER. Let me say a few things about that subject. It is a very important topic. And we are working on that issue internally within DOD having discussions with the leadership of the joint chiefs and with the reserves.

Dr. SNYDER. Excuse me. By working on it, do you mean exploring that possibility?

Dr. WINKENWERDER. We are exploring what are the best ideas that we might work with you and work with Members of Congress on to address this issue. As you know, the Congress took action to extend the benefit earlier as people are activated up to 90 days prior to actual activation and then on what we call the backend after serving up to six months.

And in addition, I wanted to note there was a comment in one of the earlier testimonies about the fact that health screenings or regular physicals were not available for the reservists. I would differ with that view.

I don't think that is an accurate view, particularly in light of the 701 provision that was also part of all those provisions that passed that created the eligibility for screenings that the reserve communities themselves can do and pay for, screening health physicals

every year periodically. So that shouldn't be a problem for people to get screened to ensure that they are medically ready.

Now to the question specifically about extending the insurance to people who are not activated or are inactive; we have concerns about that for several reasons. One, we are not sure that it would have an impact on either retention or recruitment or readiness. And that is an issue we think we ought to understand before we create a new entitlement, essentially.

It could be very expensive, depending upon how such a benefit could be structured. It might cost into the many hundreds of millions, into the billions. I am not trying to overstate or understate this issue. But this could be a very expensive new benefit. And so, the costs, when we are facing some very serious and significant strains in our own existing defense health program, cost is a concern.

Dr. SNYDER. Now, Mr. Secretary, my specific question, though, was about people who we are going to be paying their health care at the time of activation.

Dr. WINKENWERDER. Yes.

Dr. SNYDER. They are going on TRICARE, but their preference may be to keep the current coverage they have because of availability of physicians.

Dr. WINKENWERDER. That is an important issue, and we think we have an idea—I don't want to talk about it publicly—for how to deal with that issue.

Dr. SNYDER. All right.

Dr. WINKENWERDER. We would like to ensure that there is as much continuity with the same physician as possible. And we have some thoughts about this. We will share those with you very soon.

Dr. SNYDER. You are not ready to roll that out yet? Good.

Dr. WINKENWERDER. And let me just note that, finally, in terms of the—again, going back to the inactive reservist community—that about 80 percent or maybe a little more than that have private insurance today. Those are the figures that we have.

So we do have concerns about displacing perfectly good private insurance and solving a problem that may not exist. We don't say that there are not some problems and concerns, but we want to target our solutions to where we think the real concerns are.

Dr. SNYDER. Good. I wanted to ask you, too, Mr. Secretary—because in your statement you talked about the 11,000 veteran medevacs. And you described that, I think, 87 percent of them you were considering routine. Now I guess I am not sure. It shouldn't be a routine thing to be flown a few thousand miles. What kinds of things do you consider to be routine to be medevaced for, because you were talking about significant numbers of people?

Dr. WINKENWERDER. Let me touch on that, and then I will ask General Peake to get into that in more detail. Particularly early on in the first few months in the theater, that if we look at our month-to-month evacuations, it was much higher during the spring of last year and the summer. And it has come down with each month.

And part of that related to the types of services we had available or didn't have available in the theater. So we were evacuating, for example, women to do pelvic exams. So that was obviously not a critical, urgent kind of problem.



Other types of conditions that it was believed that the care could be better made available either in Kuwait or in Landstuhl, Germany. And as I mentioned, a lot of those people were brought back into the theater. So they didn't have—they weren't serious conditions.

Let me ask General Peake to further elaborate on some of those examples.

General PEAKE. Things like lithotripsy. There were a number of stone cases. They can sit and wait until the next airevac comes, and it doesn't have to go urgently or with the critical care in the air team, I think is the point that he was making, sir. It is not just wounded in action that come through our medevac system.

Dr. SNYDER. But I would consider—I will use that as your example, lithotripsy—that is not what I consider routine care.

General PEAKE. No, sir.

Dr. SNYDER. People are in agony. You are talking about kidney stones. Yes.

General PEAKE. That is right.

Dr. SNYDER. Most of these were routine—that is not—

General PEAKE. Diagnostic, somebody comes back with a rule out Myocardial Infarction (MI). And you rule that out, and then they need a cardiac cath or something, those kinds of things.

Dr. SNYDER. Yes.

General PEAKE. Or for diagnostics. It may even be a large piece of it.

Dr. SNYDER. Dr. Winkenwerder mentioned pelvic exams. It is not the exam; it is what it is for. If it is an ectopic pregnancy, it is an emergency.

Dr. WINKENWERDER. Most of them were not. We have some further detail on the exact reasons that people were—

Dr. SNYDER. Maybe that is enough discussion.

Dr. WINKENWERDER. And as a physician you would be able to look at it and say these are—the vast majority of them are for routine kinds of things.

Dr. SNYDER. Also in your statement, Dr. Winkenwerder, you mentioned over 90 percent of the 300,000 rated their health care or their health when they got back as good or excellent or very good or something. I guess I am a half empty kind of guy.

But if I take the 90 percent, 10 percent of the 300,000, that means 30,000 of relatively young people that you think are the cream of our country are saying that their health is average or poor. Now that is a fair number of people, 30,000. Is that an accurate interpretation of the statistic you gave?

Dr. WINKENWERDER. I don't know how if they didn't rate into those categories exactly what they did say. We can get that information for you. What we do know is that about 15 percent believe that they needed—or between their self-assessment and then having that reviewed by a medical provider, generally a physician or a nurse practitioner—that they needed to be referred for some other care.

So that is not a small number. You are right. These are for a variety of reasons. But our system, we believe, is working because it is identifying people that need to get care.

[The information referred to can be found in the Appendix beginning on page 225.]

Dr. SNYDER. Right.

Dr. WINKENWERDER. And that they are not just, sort of, rolling back to the base and somebody is really not looking at them. But you make a very good point about the numbers.

Dr. SNYDER. I wanted to ask about quality assurance issues. And the GAO has not really treated our system very well over the last few years in terms of percentage of people vaccinated and ready to go and having the health surveys done. And so, you all are undertaking that task now with your own quality assurance evaluations.

So hopefully we will, at some point, not have to worry about GAO's doing it anymore, because you will have that information for us and you will be able to respond to it. But where are you at with regard to setting up—and let me have you both respond—to a quality assurance system that you have confidence in that will tell us where we are at with all the kind of assessments that we think are important in following with pre-deployment and post-deployment?

Dr. WINKENWERDER. This is an important issue. Let me ask General Peake to talk about the Army program. And then I will make a comment about all of DOD.

General PEAKE. We have teams that are going out looking at specific sites, taking the rosters of the soldiers that are deployed and then cross walking us, which is the central database, being able to cross walk it with what is available in the hard copy. We see that there is something of a disparity between the mega-lists out of Defense Management Data Center (DMDO) in terms of who is on that list so that when we go down to the individual post campus station, they get accurate lists of who is deployed.

We are looking at those coming back to ensure that we have—and there is sometimes a lag. That is why we are so excited about the electronic entry because there is a lag when it is done on paper. And then it has to be sent to be scanned into the systems. I think we are getting well ahead of that power curve.

Just to make a point that this is a living thing, this screening. They get screened in theater now. That is done ahead of time. They come back, and then they have been seen by a clinician. It is not—the comment about being self-administered—it is self-administered. It is filled out, and then you sit down with a clinician and go over it. So I think just to be clear about what we were doing with that.

And then we were giving them a chance when they come back too. Okay, you had a chance to think about this. Now is there anything else that is new? And in one case, 25 percent, they were saying, yes, let me add this or that.

Dr. SNYDER. I was wondering in regard to the issues of vaccination compliance and all those kinds of things.

General PEAKE. We are really pushing the electronic entry. We are looking to make sure that that is disciplined. I know that there are some discrepancies in the database of those in-theater because the troops are moving, some of those kinds of things.

But compared to what we did in Desert Shield, Desert Storm where it was all stubby pencil and half of them were lost, I think we are miles ahead. We are able to show this data to commanders and to give them a sense of what the status of their troops are;

their unit. And that is what starts to add credibility and discipline to the system.

Dr. WINKENWERDER. Let me just add to that to say that our overall quality assurance program has several elements to it. One is each service has its quality assurance program that includes audits and checks and monitors and reports on a regular basis. Then at the DOD level, we come in and periodically are having scheduled visits, unannounced visits, to sites to look at compliance with the policy and with the reporting statistics.

And we get regular reports from the central electronic database and are able to match those from what the local command says its experience is. And then finally, we are going to produce an annual report to tell you about our performance. I share your vision that ultimately we don't want to count on the GAO to tell us how we are doing. We would like to be able to produce the data that allows you to say we have done a good or not so good or a great job.

Mr. MCHUGH. Thank the gentleman.

Next I am pleased and honored to yield to a gentleman who I have served with when he was ranking member of the then-independent MWR Panel and also as ranking member of the Personnel Subcommittee, the gentleman from Massachusetts, Mr. Meehan.

Mr. MEEHAN. Thank you very much, Mr. Chairman.

Dr. Winkenwerder, I would like to follow up on some of the chairman's questions. I am concerned, as I know you are, about the number of suicides that have occurred during Operation Iraqi Freedom as well as what appears to be an inability on the part of the military to deliver psychological counseling when it is needed most.

The failure to provide mental health services to soldiers that seek them can lead to tragedy, as I think it did for Marine Corps Second Lieutenant Christopher Shay from my home state of Massachusetts. Lieutenant Shay was deployed in June of 2002 to conduct reconnaissance missions in preparation for Operation Iraqi Freedom. And he was an honor student out of Paris Island selected to difficult missions. He had a deep love for the Marine Corps.

And then on November 17th, 2002, Lieutenant Shay took his own life leaving his family with many unanswered questions. Just weeks before Lieutenant Shay's death, he was given the drug we have been talking about, the anti-malaria drug Lariam. And you got into a dialogue with the chairman about the extent that there are known psychotic behaviors associated with it and then the credibility.

There have been stories done in newspapers all over the country; "60 Minutes" had a piece on it. In the case of Christopher, he soon began complaining about acute anxiety. And in the days leading up to his death, Lieutenant Shay requested assistance from the ship's physician, as I understand it, 12 times in 30 hours but was never placed on suicide watch. So it appears in this particular case that the medical services failed Lieutenant Shay.

You said that you have since deployed—you have a task force and deployed mental health teams to monitor this sort of case. Lieutenant Shay's family is obviously looking for answers of their own. How do we prevent cases like this from happening again?

Should he have been placed, for example, on suicide watch? And I want to, in addition to the chairman, voice my concerns about the



drug. And I wonder why we are not using anti-malaria drugs that maybe are safer alternatives that are out there, that have been reported as out there, and why we are using a drug that has been known to cause some psychotic behaviors.

And finally, you mentioned the study. I was wondering if you could expand on the scope of the study and maybe give some specifics in terms of how long that you think it will take.

Dr. WINKENWERDER. Where would you like me to start? You have asked a number of questions. Let me take——

Mr. MEEHAN. Okay. How about in the order I asked them? The first one is in the case of Lieutenant Christopher Shay. When you have somebody who 12 times in 32 hours expresses concerns, are there mechanisms that are being put in place that would put someone on suicide watch who had taken a drug with the known side effects in some cases? And we can debate how many cases. Have there been any changes there?

And second, why aren't we using alternative drugs that may be safer? And obviously I am not a doctor, but at least I have read some research that indicates there may be safer alternatives.

Dr. WINKENWERDER. I am not familiar with the details of—what was his rank again? I am sorry. Mr. Shay.

Mr. MEEHAN. Second Lieutenant.

Dr. WINKENWERDER. Second Lieutenant Shay. But from your description of it, there were indicators that this young man unfortunately was stressed and anxious and others might have had or should have had reason to be concerned about him. You indicated that you are not a clinical person. And I think that is the position probably many of our line unit leaders find themselves in, not having all the knowledge and wherewithal to make those kinds of assessments about individuals.

I can say that we are certainly, through all the efforts that General Peake described, seeking to elevate awareness broadly, even beyond the medical community about the impact of stress and anxiety and all of these separations and losses, the impact of all of that on individuals and how it can lead to depression and anxiety and then things like suicide. So we are certainly——

Mr. MEEHAN. Well, in this particular instance, just to point out—he takes the antimalaria drug, Lariam, and then he starts complaining of acute anxiety. And, as I said, he requested assistance from the ship's physician 12 times in a 32-hour period.

And it just seems like perhaps, given the drug, given all of the circumstances, but specifically in this instance; the drug, and the fact that he contacted the physician 12 times in 32 hours that he should at least be placed on some kind of a watch, given the fact that there is some evidence to suggest——

Dr. WINKENWERDER. Well, let me turn to General Peake because he certainly has the line experience to make a comment about how that might be handled, should be handled.

General PEAKE. Well, we frequently will put somebody that we are concerned about into a suicide watch. That is a very common thing to do. And what happened in this particular case, I don't know. I don't know if the Navy has looked into that specifically to get more circumstances around it. But it is really hard to make the call from here to tell you what happened or didn't happen or why.

We do often take somebody we are concerned about, put them under suicide watch. We have a graduated program where we will bring them back through the system. And as I say, 8 to 10 percent of our overall evacuations were for mental, psychological reasons so that there is not a hesitancy if somebody really is of concern.

For whatever reason, this was missed or not recognized. And I can't address exactly why.

Mr. MEEHAN. Would it be a good idea if somebody takes this drug, given all that we have—

General PEAKE. Sir, many, many people take this drug. And our impression is that it is a recognized side effect. There is no question. And if anybody has a history of emotional issues and so forth, we would choose to go to one of those other prophylaxes.

The issue, as an example, with mefloquine, you take it once a week as opposed to doxycycline where it requires a daily dose that is more easy to miss. And then if you take—you can go to chloroquine, which is weekly. But there are chloroquine resistant strains of malaria. So it is a matter of balance and trying to protect the soldier or Marine and making the best clinical judgment about which medicine is best to do that and what the risk is.

So I guess I would—we are looking at other antimalarials. That is one of the things that our medical research and material command does is explore those other antimalarials. So we would like to find something that really has no side effect.

Mr. MEEHAN. Well, let me ask you then. Given the cases—there have been cases of suicide. There have been cases where soldiers have killed other people, wives that have taken the drug. I would assume that there is something in place where in the future if somebody is taking the drug that there would be some kind of a special instance where that would show up.

That, okay, this is not a case of he or she has taken Lariam and maybe we should take extra precautions, given the fact that—for example, the facts in this case happen to be that he got a hold of the physician 12 times in a 32-hour period. I guess I would feel better to hear that we are responding to these cases. But I guess I would like to ask about the scope of the study. Would this be included: some of the concerns that I am raising?

Dr. WINKENWERDER. That is exactly why we are doing this study. And we need to be led by science and by facts and the best science and best facts and truly understand from looking at populations of people that were taking the drug and where there were adverse events and where there were not and doing comparisons to determine what in research they call relative risk. Is there a greater risk for such an event if you were taking the medicine? Is there greater risk of suicide or an adverse outcome?

Mr. MEEHAN. So you don't even necessarily agree that—

Dr. WINKENWERDER. Well, we don't have those facts. It is not a matter of whether I agree or disagree. The fact base is not there to draw a conclusion one way or another. I think it is very important that we obtain that fact base. And that is exactly why I believe a study is needed. And that is why we are going to be starting it right away and pursuing it aggressively.

Mr. MEEHAN. General Peake, would you say that it is a side effect?

General PEAKE. Sir, it is a—in the FDA literature, it says that people can have these kinds of side effects. The issue is how often it happens. The sergeant major reminded me that you weren't here when I mentioned the fact that of the 21 cases of suicide in-theater that we have documented, only four of those soldiers were even in units that were taking Lariam. And actually there was only one of them that had the Lariam in the bloodstream when we measured it. So obviously, it wasn't responsible for all of those suicides.

And when we talk about the Fort Bragg issue, we tried to pin that down, and there was just no evidence that Lariam was the causal factor in those murders and suicide.

Mr. MEEHAN. Because of the lack of Lariam in the bloodstream?

General PEAKE. And many of them hadn't taken it. I forget the number specifically, but there was absolutely no statistical correlation between Lariam use and those murder-suicides.

Mr. MEEHAN. Well, in this study, will that all be taken into consideration, these specific cases, the case of—

Dr. WINKENWERDER. We will gather as many cases as we can. That is the whole idea. And that is why—

Mr. MEEHAN. Well, I would feel a lot better if you told me that the cases that certainly had been reported where people have taken the drug and then there were suicides or murders or, for example, the case—I happen to be aware of it because it is a family from Massachusetts. But the facts in this case really concern me. And I would feel a lot better about the study and the analysis if I knew that these cases were going to be taken into consideration. I get a little concerned when—there aren't that many suicides, you testified.

Dr. WINKENWERDER. Right.

Mr. MEEHAN. So I would hope that we could get in this study and analysis a surety that we study all the cases where there were suicides and specifically the instances where Lariam was taken. And I would hope Lieutenant Christopher Shay—that case would be listed because the facts as I understand them are very concerning to me.

Dr. WINKENWERDER. We appreciate your concern, and we will be doing everything we can to do the best possible study.

Mr. MEEHAN. I would strongly urge you to look at those cases and make sure it is in the data. Otherwise I am not sure how the—the last part of my question was when will the study be concluded?

Dr. WINKENWERDER. We have already tasked a group to begin to design it. That is one of the important, sort of, setup tasks as to how does one design such a study; how many people do you need to have statistical power; where do you get the cases from; who is going to do it—

Mr. MEEHAN. Is there someone I could send a letter to, to just outline my concerns of what should be, because if they are just designing it, it seems to me we all have an opportunity maybe to have some input.

Dr. WINKENWERDER. Feel free to send it to me.

Mr. MEEHAN. Thanks, Mr. Chairman.

Mr. McHUGH. Thank the gentleman.



I thought the gentleman asked some excellent questions. He asked one that if the answer was given I apologize, I didn't hear it.

There is obviously a great deal of controversy about Larium. Whether it is based in fact or science has yet to be seen. That is why you are doing the study. I understand that.

But if you have alternative methods of prophylaxis that from my understanding do not demonstrate those same levels of concern, why are we sticking to Larium, why don't we go to the others? That is not a leading question; it is perhaps an ignorant question, but—

Dr. WINKENWERDER. I have asked the same questions myself.

Mr. MCHUGH. Okay. What was the answer?

Dr. WINKENWERDER. Well, the answer that General Peake gave is that the Larium pill is once a week and the other types of medicines are daily, with the exception of the chloroquine.

General PEAKE. We are going to chloroquine in Iraq because we have determined that it is not chloroquine-resistant malaria that we are seeing there. And so we won't be using Larium there. In some ways it is obviated. But there are places where we will have chloroquine resistance, perhaps in Africa as an example. And then you would want to use Larium because the consequences of cerebral malaria are very—

Mr. MCHUGH. So the bottom line, there are perhaps instances where Larium can be avoided entirely, whether it is—

Dr. WINKENWERDER. Absolutely.

Mr. MCHUGH [continuing]. Good, bad or indifferent.

Dr. WINKENWERDER. And that is what we do. I think it is a misperception to suggest that that is somehow the first choice drug that we go to. It is a process of figuring out, depending upon the location in the world and whether there is chloroquine resistance or there is falciparum, that particular type of malaria, what type of medication is best.

And so, in many areas we can treat with other medications and that is just what we do.

Mr. MCHUGH. Okay. Thank you.

I am sure you all heard, because I commented that General Peake was seated behind him, you heard our previous testifier, the good corporal, talk about how he has not to date had any kind of counseling input conversations about the potential for his continued service in the military, if any. I am curious why that didn't happen.

I mentioned Eric Shinseki, who is an amputee from Vietnam and rose to be chief of staff of the United States Army, and my humble opinion, having worked with him for a number of years, a great chief. What is the process on that? A lot of anxiety, I would think. Every amputee I have met, service amputee, have to a person said, "I want to go back to my unit, I want to continue to serve." Now, I understand that is not always possible, but for those that it is, how do we go about evaluating that, how do we go about informing them of the at least availability of that?

Dr. WINKENWERDER. Let me ask General Peake to address that.

General PEAKE. Sir, these young men have a lot of decisions to make about their own lives. And Corporal Thibeault's struggling

with that, and there are different decisions to be made about his hand, his arm, his prosthesis: what kind to give him? What he really wants? And sometimes it is a struggle for these young men.

I was talking to Sergeant Craft, I think was his name, was saying, "Initially I wanted to stay. Now, as I think about what my options are, I don't think that is really what I want to do."

And so there is this ambiguous period which is difficult for them. And so they have to work.

A couple of years ago, after the early days of Afghanistan, I showed a picture of one of our special operator guys who lost his right arm, Sergeant McIlheney—you may have met him—well, I tried to get hold of him the other day and he was out at National Training Center (NTC) with his unit.

So it takes a while to work through what they can do. Can they be productive within the unit? And we are working to try to let them be all that they can be, but it takes a while. He is only two months post-injury, and it remains to be seen what he will do with his hand.

We have a program that we—again, trying to make them all they can be—where we can help them with computers, teach them how to use them, getting them special prostheses. That actually is part of DOD, and we are doing it for the VA as well. I know that we have had two of our amputees assessed by those folks out there. They have two or three more coming in this week for assessment.

There is a lot that is going on, as well as with the VA, that says, "How do we help these disabled soldiers be all they can be?"

We have support for brokering job offers from outside agencies; people come and say, "How can we help you? We can get them into our programs."

So there is training available. The VA has programs for training. And they have to work through this about what they want to do with their own lives.

Mr. McHUGH. I couldn't agree more. And then, Dr. Kussman, I want to hear from you.

If I may respectfully, I don't think—I don't believe that Corporal Thibeault was questioning that challenge. And you have described it very adequately. And obviously, people's minds change.

It is a tremendously traumatic experience and what you want and expect and hope to get out of life probably at first goes from one thing to the next, minute by minute.

But what I thought I heard him say in the testimony here, and what I am awfully darned certain I heard him say in my office, nobody has even talked to him about the potential of being in the service, given certain circumstances. You can't make a guarantee, because there is the prosthetic work, are you able to contribute, all that I understand. But maybe I misinterpreted what he said, but nobody has even talked to him.

And I just think, I can only imagine what goes through a young man or woman's mind in that situation, at the peak of your physical ability all of a sudden, you are an amputee, missing a limb or two or whatever. Just to have someone from, in this case the Army, but any branch, come in and say, "Son or young lady, I know it is a terrible time, but understand, if this happens, that happens, that happens; perhaps there is a chance for a military career."

Just some words to give them an idea of what their potentials are, because I don't think they have any and for two months, that is an awful long time. And I just think it is up here, and we could probably be somewhat more reassuring in that area.

Thanks for listening to my—and, General, you have been listening to a lot of my sermons and you have always been very patient and understanding. And I appreciate that.

Dr. Kussman, do you want to say something with respect to the VA? And I know you are intimately involved, particularly in the amputee area.

Dr. KUSSMAN. Yes sir, and I was a little disturbed myself when I heard the corporal talking, because we have tried to put in place a program that would at least educate him or help him with some of the questions that he seemed to have raised and so that bothered me.

We did have a chance to talk with him during the break, and he did acknowledge that he had seen the VA benefits people who did go over with him some of the things that needed to be—that potentially he was eligible for. But in questioning him a little bit further, I think that, as was mentioned, his big concern is that there really is an uncertainty there that perhaps wasn't in the past, because in the past, most people who suffered an amputation were generally discharged from the service.

Because of the advances in capability and the techniques in prosthetics, I think the number is somewhere—please correct me if I am wrong—but it's somewhere close to 50 percent of the patients who are suffering amputation are being considered to stay on active duty. But whatever it is, it is a significant amount—

Mr. MCHUGH. Excuse me, 5-0 or 1-5? 50 percent or—

Dr. KUSSMAN. 5-0. Now that may be—I may have the wrong number, and please, if I am wrong, I apologize—but whatever it is, it is a much larger number than in the past. And it takes awhile to get to the point to determine whether the person is capable of staying on active duty. And part of that is fitting the prostheses and working through, then getting an Medical Evaluation Board (MEB) which makes a statement of the physical condition and then potentially going through the Physical Evaluation Board (PEB) process to find if there is a fitness for duty, that decision made.

So it is a process. And you are right, if he has no one to go to that could help him through that, then I guess we have failed some place, and we certainly need to be more aggressive on that—I don't want to put words into General Peake or Dr. Winkenwerder's mouth, but from a DOD and VA thing.

So we will certainly re-energize ourselves to be sure that people that we have met with, we go back and re-emphasize some of the benefits that he and everybody else would be eligible for.

But we certainly can't adjudicate the issue of the MEV, PED; that is something that takes awhile to work through.

Mr. MCHUGH. I appreciate that. And let me just say, for the record, and I have been on Capitol Hill now for 12 years, and there are some committees, subcommittees, that play gotcha. They get witnesses in here and say "Gotcha."

That is not why we are here today. And it is why I hope we never convene a hearing. It is to learn. And to the extent that you



find out things that you are unaware of and that can help you, that is what it is all about.

Now, I have never had reason to question this concern of your department, the Department of Defense in this case, the Army, any of the branches, certainly the VA. They want to do the right thing, as do we. So if we can learn something, by God, we have spent time well.

Speaking of time, we do have a hearing—a full committee markup at six—and they have to rearrange the room, Dr. Snyder.

So I am happy to yield to you, but seeing as it is only you and I, we can close this up soon, I know.

Thank you.

Dr. SNYDER. Thank you, Mr. Chairman.

I am on the VA Committee and sometime ago we had a hearing on this whole issue of transition from people coming back. And one of the women that testified, her son had a very, very serious illness. And coincidentally, her job in private life was she worked in intensive care and did a lot—I think she was a registered nurse (RN) who worked in discharge was my recollection.

But my take-home from her testimony was the care was excellent, excellent, excellent. The transition and the discharge planning just wasn't at all what it ought to be in a complicated system. So I think there are a lot of things there to work on.

Do you have another comment, Dr. Kussman?

Dr. KUSSMAN. Yes, sir. I was there, too. And I heard that. And I think that case is really one of the cases that energized the secretary to drive us to do some new innovative things, where we have put full-time people in the facilities at DOD to partner and help with that transition, to smooth the process, to the point where once the person has been identified as entering the disability process and will be medically separated or discharged.

Our social workers are then partnering with, particularly the Army, but DOD social workers, to help that servicemember decide where they want to go, if they want to use the VA—and as you know, they don't have to use the VA if they are medically discharged. They have options of staying in the military health system or using TRICARE.

But if they choose to use the VA, we get them enrolled before they are actually finished with the process. And so they are in our system. We get them appointments in the VA wherever they are going to go and work through our points of contact, both from the Disabled Veterans Association (DVA) and Veterans Health Administration (VHA) to assist them.

And so while the disability process is still working the VA is wrapping their arms around these people to help them with that transition.

I think that this has been a major innovation of what we have not done in the past.

So I would hope that the case that was illustrated, that happened before we did this. It was illustrative of a weakness. And that something like this wouldn't happen again.

Dr. SNYDER. Good.

The chairman wants to wind this hearing down, but I had a couple more questions, and just maybe some quick answers.

Sergeant Major, you have been very patient sitting there, but one of the things I noticed in your written statement was your concern about vehicles, people coming back home that haven't driven. You don't say it, but I suspect there is some partying and drinking going on. We lose more than we want of our young men and women when they get back.

Is that something that we have an aggressive program going on to try to prevent those kinds of injuries and deaths?

Major PRESTON. Yes, sir. What we have is all the units right now coming back—and Monday, I was down at Fort Campbell visiting the 101st, taking a look at their reverse SRP Program Objective Memorandum (POM) process.

And they had already transitioned about 14,500 soldiers back into Campbell. But one of the things that is part of the reintegration training. And for most units, whether it is in Europe and you serve over there at Fort Campbell, or the other units that come back, they go through a seven-day reintegration program, which is really tied to getting married couples back together and working through those relationships. But also it incorporates safety, to include Privately Owned Vehicles (POV).

So for soldiers that put their privately-owned vehicles into storage prior to deployment, they get those vehicles back out. The vehicles get reinspected because they have been sitting for a long time and then go through a safety program.

Dr. SNYDER. Good. Good. Good.

Dr. Winkenwerder, just a quick question, really just probably a yes or no answer. The young corporal made a comment about his dad being notified by the news program. Are you satisfied with our notification program that it is as good as it can be in terms of accuracy and the right people they notify of deaths and injuries?

Dr. WINKENWERDER. I will give you an answer that some people within DOD probably won't like. And my answer is based on some anecdotal concerns like this. No, I am not satisfied. This is not a process that we in the health community manage. It is managed from a different place. We are working to try to improve that. But it is not ideal.

I think someone else made the comment that with the speed of transmission of information around the world, these kinds of events unfortunately happen. That doesn't mean that we must not do more to do better than we have.

Dr. SNYDER. And this is my last—more really a comment. As somebody who has worked overseas several times and I have treated a lot of malaria and it is, as you know General, a real problem. I did go out and visit with the Marines at Bethesda. And this was before the results came out.

But, I did my own study in five minutes of walking the halls. What about your medicines? We threw them overboard. Why did you throw them overboard? Because we were sitting out in those ships for several weeks to months and they kept saying we were ready to go, we were ready to go. And we didn't. We just got tired of taking the medicine.

They were just all very candid, I think, that they just didn't take the medicine. So, you are walking. It is like baby bear's porridge. You have to get it just right. We have to be concerned about side

effects and attending to side effects and try to get these people in who are having side effects and avoid the kind of disasters.

But at the same time, we do not want to encourage more people in malaria zones not to take these medications because I have treated resistant malaria. And when I was out there, we almost lost some folks from their experience at the 80th. There were some very serious folks on ventilators out there from cerebral malaria. And it is not something that we should be cavalier about.

I know you aren't, but I don't want our young men and women being cavalier about, "let's just chuck that medicine. We are tough young men and women. We are Marines. We are soldiers." That isn't going to cut it. Malaria is a deadly, deadly disease, particularly for people who have not had any exposure to it in their lifetime.

Thank you, Mr. Chairman. Thank you for your indulgence.

Mr. MCHUGH. Thank you for, as always, your leadership.

I don't know if apology is the right word. Any time you come to a congressional hearing and nobody asks you any questions, some would consider that a good day. But we have ignored—not ignored, but we have not gotten to the areas with Dr. Mather and her good accomplice, Dr. Lehmann.

And we appreciate your being here. I assure you—and this may not be good news, either. But it is the way it is going to happen. We are going to submit some questions for the record. Obviously both of you have areas of great interest to us. And we would be interested in your responses. I am sorry that this six o'clock markup of the full committee is kind of precluded us from going to the conclusion. I hope you understand, but it was very good of you to be here.

And to the rest of our presenters: Dr. Kussman, General Peake and Mr. Secretary, Secretary Winkenwerder, thank you, as always, for your leadership.

And I want to thank the Sergeant Major, as I said, for his leadership and important position in representing particularly the enlisted men and women in the United States Army. You do a great job. And thank you for that leadership.

Also as a matter of housekeeping, we do have a statement that has been submitted, testimony on the record from the Reserve Officers Association. And without objection, that will be entered into the hearing record, as I noted. And it is not just limited to Dr. Mather and Dr. Lehmann. We may have some written questions certainly the surgeon general and the secretary are accustomed to this.

Sergeant Major, written questions that we may submit to you, if you could, if you receive those, issue us in return some written responses. It would be greatly appreciated.

So with that and our great thanks, we will adjourn the subcommittee meeting. Thank you all very much.

[Whereupon, at 5:20 p.m., the subcommittee was adjourned.]



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# **A P P E N D I X**

FEBRUARY 25, 2004

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**PREPARED STATEMENTS SUBMITTED FOR THE RECORD**

**FEBRUARY 25, 2004**

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**Opening Remarks – Chairman McHugh  
Total Force Subcommittee Hearing  
Force Health Protection and Surveillance  
in the Global War on Terrorism  
February 25, 2004**

**The Subcommittee on Total Force meets this afternoon to assess force health protection and surveillance efforts for service members in support of the global war on terrorism. I want to welcome our witnesses and I look forward to their testimony.**

**After the Gulf War, some veterans began to experience debilitating illnesses that could not be explained. With increasing concern about health problems in veterans, numerous activities were initiated to investigate veteran illnesses. When attempts were made to compile information on health status, medical care, troop locations, and environmental hazard during deployments, the Department of Defense simply came up short.**

**We cannot let this happen again. It is our responsibility and duty to ensure the health and well-being of our forces as they now deploy to extremely dangerous locations. Our service men and women and their loved ones must be confident that they are receiving the best opportunities for good health.**

**Since the events of September 11, 2001, this country has seen hundreds of thousands service men and women deploy in support of Operation Enduring Freedom and Operation Iraqi Freedom. In light of the number of recent and upcoming deployments and redeployments, it is appropriate to take stock of the effectiveness of the various force health protection laws, policies, and programs to ensure health risks are being identified and service members are receiving the care the need.**

**In November 1997, Congress adopted legislation, Public Law 105-85 that established a system for assessing health status before and after deployments and centralized**



retention of information related to deployments. To provide oversight for force health protection efforts, Congress requested that GAO examine DOD's compliance with the requirements of the law. The findings of the GAO report were abysmal and were addressed by this subcommittee in a hearing last March, as well as by other congressional committees over the last year. Today we will have the opportunity to examine DOD's progress in providing compliance with the law how it is implementing effective force health protection programs.

In addition to this objective, the subcommittee seeks to understand the present and emerging health concerns for those deployed in support of the war on terrorism. We will have the opportunity to review the status of the smallpox and anthrax vaccine programs, the challenges associated with caring for combat casualties, and how service members are being protected from environmental hazards and infectious diseases.

The nature of warfare that we are seeing in OEF and OIF brings new challenges to force health protection. The traumatic events and stressors associated with fighting terrorism are ever present in this war. Vigilance in the effective management of a full range of post-traumatic stress reactions must be a top priority and the subcommittee looks forward to both the DOD and VA perspectives.

This subcommittee is also interested in understanding the factors that led to the increase in service member suicides in July 2003 in Iraq and how DOD is currently positioned to prevent suicides not only in theater but back at home stations. In October 2003 an Army Mental Health Advisory Team went to Iraq and Kuwait to assess the events that led to the suicides and to examine behavioral healthcare in theater. The subcommittee is interested in what the team learned during its review and how any recommendations have been implemented.

Finally, as veterans move into the VA healthcare system, the transition must be seamless to ensure the highest quality of care. The DOD and VA have met many challenges in this respect over the last year and we look forward to your testimony regarding your progress.

Before I turn to the subcommittee's Ranking Democrat, Dr. Snyder, I would like to thank all the witnesses for the commitment they have shown as they do their part to fight or support the war against terrorism. I especially want to acknowledge the service of two soldiers who are with us today from Walter Reed Army Medical Center. Corporal Victor Thibeault, a witness on our first panel, who is a 10<sup>th</sup> Mountain Division soldier who fought the war in Afghanistan and made great sacrifices for this country. Also, seated in the audience is Staff Sergeant Maurice Craft – an 82<sup>nd</sup> Airborne Division air defense artillery soldier who served in Iraq and was severely injured by an explosive device while



on patrol. You and your comrades in arms have the highest respect and appreciation from this subcommittee.

Dr. Snyder, do you wish to make an opening statement?

*(Dr. Snyder remarks)*

We have seven witnesses on two panels today. We would like to give each witness the opportunity to present his or her testimony and each member an opportunity to question the witnesses. Therefore, I would respectfully ask the witnesses to summarize, to the greatest extent possible, the high points of your written testimony in 3 to 5 minutes. I assure you that, without objection, your written comments and statements will be made part of the hearing record.

Let me welcome the first panel:

Robert Washington, Sr.  
Co-chair, The Military Coalition's Health Care Committee

Accompanied by:  
Sue Schwartz, DBA, RN  
Co-chair, The Military Coalition's Health Care Committee

Michael Duggan  
Deputy Director, National Security and Foreign Relations  
Division  
American Legion

Corporal Victor Thibeault  
United States Army  
10<sup>th</sup> Mountain Division  
Fort Drum, NY

**NOTE:** (If needed)

- *I want to also announce that to ensure all Members have an opportunity to question our witnesses, we will use the five-minute rule when recognizing Members for questioning.*
- *Consistent with Committee rules, I will first recognize subcommittee members, then House Armed Services Committee Members, and then other House Members.*

Mr. Washington, you may begin.

**Let me welcome the second panel:**

**William Winkenwerder, Jr., M.D.**  
**Assistant Secretary of Defense for Health Affairs**  
**Department of Defense**

**Lieutenant General James B. Peake**  
**Surgeon General**  
**Department of the Army**

**Sergeant Major Kenneth O. Preston**  
**Sergeant Major of the Army**

**Michael J. Kussman, M.D.**  
**Deputy Chief Patient Care Officer**  
**Co-Chair of the Department of Veterans**  
**Affairs Taskforce for the Seamless**  
**Transition of Returning Service Members**  
**Veterans Health Administration**  
**Department of Veterans Affairs**

**Accompanied by:**

**Susan H. Mather, M.D. MPH**  
**Chief Officer, Public Health and Environmental Hazards**  
**Department of Veterans Affairs**

**Laurent S. Lehmann, M.D.**  
**Chief, Mental Health Strategic Health Care Group**  
**Department of Veterans Affairs**



**STATEMENT OF THE  
HONORABLE VIC SNYDER**

**HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE**

**FORCE HEALTH PROTECTION AND SURVEILLANCE IN  
THE GLOBAL WAR ON TERRORISM**

February 25, 2004

Thank you, Mr. Chairman. I join you in welcoming our witnesses—Bob Washington and Sue Schwartz from the Military Coalition, Mike Duggan from the American Legion, and Corporal Victor Thibeault with the 10<sup>th</sup> Mountain Division,. I certainly appreciate all of you being here today.

I would also like to recognize our witnesses on the second panel, Dr. Winkenwerder, Assistant Secretary of Defense for Health Affairs; General Peake, Surgeon General of the Army; Sergeant Major Preston, Sergeant Major of the Army; and Drs. Kussman, Mather and Lehmann from the Veterans Health Administration.

I look forward to hearing the perspective of both panels on the state of force health protection and surveillance as the global

war on terrorism continues. I am particularly interested to learn how the Department of Defense and Veterans Affairs, as well as the medical services, are doing to ensure that we have the necessary systems and resources to protect the health of our service members who are being deployed to missions across the world, and particularly to the combat theatre in Iraq. I am also interested in hearing from our soldiers in the field, and the beneficiary and advocacy organizations on how these programs and policies are actually being implemented and received by our service members on the ground.

Last year, we learn that the Services were not doing well in meeting the Department's requirement for pre and post-deployment assessments, as well as ensuring that service members being deployed had the necessary immunizations and current blood serum on file. We also learned that the Department had not established a quality assurance program to evaluate whether the Services were meeting its own requirements. I hope that Dr. Winkenwerder and General Peake will elaborate on what actions have been taken since our last hearing to improve their compliance of the law.

With the upcoming transition of forces in Operation Iraqi Freedom and Operation Enduring Freedom in Afghanistan, we will have over 250,000 service members either getting ready to deploy to the theatre or coming back from their one year of service. We need to ensure that the service members who serve in Iraq or Afghanistan are provided the necessary health care resources they may need, including mental health counseling, either in theatre or when they return home.

I commend the Services and the Department for the accomplishments they have made to improve force health protection for our troops. But, our work is not complete, more needs to be done to ensure that we have the ability to track the location of service members while in theatre and to detect and monitor exposure of environmental hazards on service members. We also need to continue to improve programs for preventive medicine and reduce non-battle injuries, particularly mental health issues.



Recent news reports of the increased numbers of suicide in theatre are cause for concern, and we need to ensure that appropriate services are provided to troops on the line.

Commanders need help to identify problems early, and have access to care and treatment to mitigate behavioral concerns as soon as they are identified.

Mr. Chairman, force health protection is just one of the many important issues that require the continued oversight and leadership of this subcommittee. We must also focus our attention on the transition of our forces from the military health care system to the Department of Veterans Affairs health care system. Upon their return from duty, many service members will transition back to their communities, we need to ensure that both systems have the programs, policies and resources they need to ensure a seamless transition between these two federal health care systems.

I want to thank all of our witnesses here today. Their participation is important and beneficial as we look to the future in meeting the force health protection and transitional care needs of our military. Working together we can ensure that our men and women in uniform receive the quality health care that they deserve.

Thank you, Mr. Chairman.

**Prepared Statement**

**of**

**The Honorable William Winkenwerder, Jr., M.D., M.B.A.**

**Assistant Secretary of Defense for Health Affairs**

**AND**

**Lieutenant General James B. Peake, M.D.,**

**The Surgeon General, U.S. Army Commander, U.S. Medical Command**

**on**

**Force Health Protection**

**Before the**

**House of Representatives Armed Services Committee**

**Subcommittee on Total Force**

**February 25, 2004**



Mr. Chairman and members of this distinguished committee, thank you for the opportunity to be here today to discuss the Department of Defense's force health protection programs. Today, we have more than 253 thousand service men and women deployed in support of our nation's defenses, including those serving in Afghanistan and Iraq. DoD is firmly committed to protecting the health of our service members, before, during and after deployments.

Protecting our forces is a primary mission of the Military Health System. As part of our Force Health Protection program, our objectives are to recruit and maintain a healthy and fit force, to prevent disease and injury, and to provide medical and rehabilitative care to those who become ill or injured.

The rigorous medical requirements of the Armed Forces entrance physical examination and our periodic physical examinations, HIV screenings, annual dental examinations, physical fitness training and testing, immunizations and regular medical record reviews contribute to maintaining a healthy force. One of our most recently developed DoD policies require all deployable forces to achieve a new Individual Medical Readiness (IMR) standard. The IMR is now used as the measure for the services' preparation of service members to deploy and execute the mission. The services are now using a common set of individual medical readiness standards to monitor the collective readiness of the force. For a service member to be fully medically ready, all immunizations must be current and they must be in dental class 1 or 2. They must have all medical readiness lab tests done, including HIV tests, have no deployment-limiting medical conditions, have completed a current health assessment, and have all the medical equipment they need, including ear plugs, eyeglasses and mask inserts. By tracking the individual medical readiness against this standard, commanders can monitor the percentage of personnel who meet each of the criteria. This is an important new commander's tool.

Our post-deployment health assessment policy is to gather information from deployed service members to help medical personnel evaluate health concerns or problems that may be related to deployment. Face-to-face health assessments with licensed health care providers determine referrals for appropriate medical follow-up. Blood samples are taken within 30 days and are archived. Pre- and post-deployment health assessments and deployment health records are maintained in the individual's permanent health record, which is available to the VA upon the service member's separation from the military.

In January, I published written policy establishing the DoD deployment health quality assurance program as directed by the Congress and recommended by the GAO. A key element of this program is the Defense Medical Surveillance System, (DMSS), which provides periodic reports on centralized pre- and post-deployment health assessments. The quality assurance program also requires periodic reports on service-specific deployment health quality assurance programs, periodic visits to military installations to assess deployment health programs and an annual report on the DoD-wide program. DMSS retains copies of, and maintains centralized databases for, deployment health assessments. Army Medical Surveillance Activity (AMSA) provides me with weekly reports on post-deployment health assessments and monthly reports on pre- and post-deployment health assessments. The post-deployment reports include data on service members' health status, medical problems, mental health and exposure concerns, blood samples,

and referrals for post-deployment care. Over 90 percent of the 300,000 service members returning from deployment have reported their health status as good, very good, or excellent over the last year.

In theater, deployed Army, Navy and Air Force preventative medicine units are performing comprehensive occupational and environmental health surveillance in support of Operation Iraqi Freedom and Operation Enduring Freedom. All reports are archived centrally at the U.S. Army Center for Health Promotion and Preventative Medicine, (USACHPPM). USACHPPM deployed and maintained a forward liaison and a specialized preventative medicine augmentation team to perform in-theater surveillance and facilitate support. When an environmental exposure is identified, DoD records the names of all service members possibly exposed and the samples are identified with a date/time and location that could potentially be linked to personnel present.

We continue to protect our deploying troops with appropriate vaccines against potential biological weapons. The Department has succeeded in protecting many hundreds of thousands of service members from two deadly infections--anthrax and smallpox. DoD led the nation in collecting and sharing information about safely administering smallpox vaccinations. We protected more than 580,000 people against smallpox in a sophisticated program of education, screening, and follow-up. We achieved safety levels similar to or superior to those seen with smallpox vaccine used in previous decades. Military healthcare workers repeatedly were asked to help our civilian colleagues in improving the preparedness efforts of the communities in which we live.

Our Anthrax Vaccine Immunization Program has now protected over a million service members. Despite the current high operations tempo, we have delivered 82 percent of those doses on time and are working diligently to improve this rate even further. The supply of anthrax vaccine increases steadily.

And we are delighted to say we now have one site in the Vaccine Healthcare Center Network, a network of specialty clinics to provide the best possible care in rare situations where serious adverse events follow vaccination. In all our vaccination efforts, we focus on keeping individual service members healthy, so they can return home safely to their families and loved ones. The Institute of Medicine, in a congressionally mandated report, concluded that anthrax vaccine is an effective vaccine to protect humans against all forms of anthrax, including inhalational. They also concluded that the vaccine is safe. It is fairly common for people to experience some local discomforts, such as redness, itching or swelling, but these are comparable to those observed with other vaccines given to adults. On December 30, 2003 the Food and Drug Administration issued a final rule and order concluding, "the licensed anthrax vaccine is safe and effective for the prevention of anthrax disease, regardless of the route of exposure."

Like the anthrax vaccine, the smallpox vaccine is fully licensed by the FDA and is considered safe and effective, however it is known to carry risks for a very small percentage of individuals. By carefully screening recipients with known risk factors, we have been able to keep serious adverse effects well below what was anticipated when the vaccination program began. The Centers for Disease Control and Prevention tracks possible reactions to these and other vaccines through the Vaccine Adverse Event Reporting System, or VAERS, which is co-sponsored with

FDA. DoD encourages all service members to report any reactions to VAERS. Like all vaccines, most adverse events with these two are minor and temporary. Serious events, such as those requiring hospitalization, are extremely rare.

In terms of casualty care in today's military, medical care is usually available within minutes after injury and is saving lives. Based on current analysis, more than 98 percent of those wounded have survived and one third have returned to their units for duty within 72 hours. Irrespective of the cause of a military member's illness or injury, our focus is to provide the care needed and whenever possible, to return that person to duty. Clearly some injuries are much more serious than others, but it is also clear that military medicine, improved personal protection devices, and operational risk management techniques are saving lives. For Operation Iraqi Freedom, the rate of non-combat disease or injury is lower than in any previous U.S. conflict. Cumulative data through February 5, 2004, shows that four out of 100 deployed personnel sought clinical care in theater for a health concern or complaint each week. At home, the usual rate of clinic visits for active duty military personnel is at least twelve out of 100 per week.

As of February 5, 2004, data from the Transportation Command shows 11,200 total evacuations out of theater. Service members were transported from the theater of operations for a wide variety of medical conditions and very few were life threatening. With our smaller, more flexible healthcare capabilities in theater, we can expect to evacuate many routine cases. The vast majority of medical evacuations – 87 percent – were these cases. The remaining 13 percent were urgent or high priority medical care. We are moving toward implementing fully automated patient care systems, and we are working with the service surgeons general to establish a trauma registry that will capture information from the point of care.

Of course, physical trauma isn't the only kind of injury that deployed service members can face. Behavioral health issues, from combat stress to post traumatic stress disorder, threaten our troops and we've made a great deal of progress in the areas of prevention, identification, and care of these potential risks. General Peake, the Army Surgeon General, will be able to give you details of that progress.

At the request of the Operation Iraqi Freedom leadership, General Peake sent a 12-person Mental Health Advisory Team into Iraq and Kuwait from August to October 2003 to assess mental health issues and behavioral health care for OIF soldiers. The advisory team's recommendations include adapting current garrison-based Army suicide prevention initiatives to the OIF deployed force. The team briefed its findings and recommendations to the coalition forces Commander and the commander of the joint task force.

While we monitor stress casualties, we have a renewed focus on suicide prevention during this deployment. The Office of the Armed Forces Medical Examiner has classified 21 soldiers' deaths as suicide for soldiers deployed to Iraq and Kuwait during 2003. There are additional Army deaths during this period for which the manner of death is pending final determination. The 21 confirmed Army suicides during Operation Iraqi Freedom represent an annualized rate of 15.8 suicides per 100,000 soldiers per year. This rate compares with a rate of 9.1 to 14.8 per 100,000 in the army between 1995 and 2002. In the overall U.S. male population, when age-matched with the Army, the rate is 20.5 per 100,000. While every suicide is a tragic loss, the



suicide rate for soldiers deployed to OIF is not significantly different from the range of recent annual Army suicide rates. Nonetheless, the Human Resources Policy Directorate is funding additional Applied Suicide Intervention Skills Training for personnel in units preparing for OIF deployment.

We continue to deploy troops to areas where malaria is an endemic hazard. In 2003, we had 80 cases in Liberia, 44 between Afghanistan and Iraq, and 10 in South Korea. These were the areas most associated with malaria in US personnel. Studies have shown that troops need constant reminders and reinforcement to keep up their guard against the biting insects that transmit disease. Preventive measures include use of uniforms impregnated with repellent, applying skin repellent several times a day, using bed nets and taking preventive medications as prescribed.

The preventive medications for malaria most often used by the US military are chloroquine, doxycycline, primaquine and mefloquine, also called Lariam. All of these are FDA-approved drugs. As with any medication, precautions in prescribing and taking the medication must be taken. Investigation has not established mefloquine as a cause in DoD murders or suicides. However, according to the FDA, mefloquine should not be prescribed for persons with active depression, a recent history of depression, generalized anxiety disorder, psychosis, or schizophrenia or other major psychiatric disorders, or with a history of seizures. DoD follows FDA guidelines on the use of mefloquine, and it is DoD's policy that every service member who receives this medication also receives information about possible adverse effects.

I have directed a study to assess the rate of adverse events, to include suicide and neuropsychiatric outcomes, associated with antimalarial medications, particularly mefloquine, prescribed to deployed service members. DoD will appoint a panel of the experts in malaria and malaria medications that can articulate the most scientifically valid approaches and provide guidance on the methods of the study.

The Baltimore Veterans Affairs hospital is continuing the DoD/VA Depleted Uranium Medical Follow-up Program for those individuals who were in or on armored vehicles that were struck with depleted uranium munitions in friendly fire incidents during the Gulf War. Some 70 individuals have volunteered to participate in this program. To date, no medical consequences have been found as a result of those exposures. About a quarter of the individuals being followed have very small fragments of depleted uranium still in their bodies and have high levels of depleted uranium in their urine.

On the research side, the Army Center for Health Promotion and Preventive Medicine is conducting a health risk assessment for exposure to depleted uranium oxide created when the munition penetrates armor. Extensive data on concentration, duration and resuspension of this oxide were collected during the CAPSTONE study done last year and those data are being used to produce the health risk assessment. The results are anticipated within six months.

On a practical level, deployed service members receive training in the common sense steps they should take to avoid potentially harmful exposures. DoD also has a program to identify and test individuals who were possibly exposed to depleted uranium oxide at levels that could theoretically have health effects. Current policy calls for the services to identify and track the

service members most highly exposed to DU, perform DU bioassays and invite them to join the medical follow-up evaluation program. To date, more than 500 military members have been tested for DU exposure. So far, none of them has registered levels of DU in their bodies that are of concern. DoD continues to monitor exposures to depleted uranium.

After service members return from deployments, military and VA providers use the jointly developed Post-Deployment Health Clinical Practice Guideline to give health care focused on post-deployment problems and concerns. The guideline, established in 2002, provides a structure for the evaluation and care of service members and veterans with deployment-related concerns. The Deployment Health Clinical Center (DHCC) provides health care professionals access to expert clinical support for patients with difficult symptoms and illnesses, as well as deployment-related information.

We monitor the health status of active duty troops after deployments, staying alert for trends that might reflect deployment-related health issues. Currently we do not have full visibility of the health care obtained by veterans or deactivated reserve component members post-deployment. I have recently assembled a task force whose job it is to put systems in place that allow us to better monitor the health status of veterans after they have left DoD. The extended period of eligibility for TRICARE following separation, for up to six months, and combat veterans' special two-year eligibility for VA health care, provide an excellent way for us to capture information and follow up medical concerns.

After deployment, our goal for injured or ill service members is to effect a seamless transition of care from DoD to the VA health care system. An injured service member's ability to return to full duty is based on a careful health evaluation by a physician. If a member is found to be unfit for continued active duty by their attending physician, the service member is referred to a Physical Evaluation Board where it is determined if the individual is fit to perform duties. All members referred to a Physical Evaluation Board must attend Disability Transition Assistance Program training. During this training, a counselor from the VA informs members of VA benefits, disability ratings and how to file a claim. Prior to separation, members with disabilities are required to file or refuse to file a claim with the VA for compensation, pension or hospitalization.

Active duty members voluntarily separating from the service and not referred to the Physical Evaluation Board, are required to receive mandatory pre-separation counseling through the Transition Assistance Management Program (TAMP). Separating members are required to fill out a Pre-separation Counseling Checklist, including a briefing on VA benefits and health care services.

The Federal Health Information Exchange transfers electronic health information on separating Service members to the VA. DoD and VA are developing electronic health records that will allow for two-way information exchange between the two departments. We've implemented the first stage of the computerized medical record system, for one-way transfer of health care data from DoD to VA. Currently, DoD sends VA laboratory results, outpatient military treatment facility pharmacy data, radiology results, discharge summaries, demographic information and admission, disposition and transfer information, allergy information and consult results. We

expect full real-time exchange of DoD and VA health record data by the end of 2005. In addition, DoD and the VA have created integration points that will permit VA to access the Defense Enrollment and Eligibility Reporting System – DEERS - in real time by the end of 2005.

As you can see, DoD has made tremendous progress in force health protection and surveillance since the Gulf War, and quite a bit since the beginning of Operation Iraqi Freedom. The groundwork has been laid for even greater progress in the near future and I am firmly committed to continued improvement in protection for the health of our service members. The medical personnel of our combined services have my heartfelt appreciation and full support for the outstanding work they are doing to develop and implement the force health protection programs necessary to field the most fit and healthy force in the world.



**STATEMENT BY**

**KENNETH O. PRESTON  
SERGEANT MAJOR OF THE ARMY**

**BEFORE THE**

**COMMITTEE ON ARMED SERVICES  
SUBCOMMITTEE ON TOTAL FORCE  
UNITED STATES HOUSE OF REPRESENTATIVES**

**SECOND SESSION, 108TH CONGRESS**

**DEPLOYMENT HEALTH  
IN THE UNITED STATES ARMY**

**FEBRUARY 25, 2004**

STATEMENT BY  
KENNETH O. PRESTON  
SERGEANT MAJOR OF THE ARMY

Good afternoon, and thank you for inviting me to come before you today to discuss health deployment issues in America's Army.

Until December of this past year, I served as the Command Sergeant Major of Combined Joint Task Force - 7 and V Corps in Iraq. During more than a year of preparations and operations in Kuwait and Iraq, I spent countless hours talking to Soldiers, observing training, and missions, ensuring Soldiers adhered to safety policies, and communicating with our family readiness groups in Europe.

As the senior enlisted Soldier in Iraq, the safety, health, and well being of our troops was my paramount responsibility. I traveled all over Iraq and Kuwait to ensure leaders were talking to their Soldiers about the challenges and stresses of combat, enforcing standards, and were properly equipped to accomplish their missions.

Safety is a key element of all that we do. Leaders are expected to conduct risk assessments prior to every mission, brief their Soldiers on potential dangers and actions to take, and conduct after-action reviews following the operation.

The risk assessment process is critical to successful operations. Our five-step process involves identifying hazards, assessing those hazards, making decisions, implementing controls to mitigate hazards, and supervising. The last step – supervising – is the essential piece that makes it all work.

The situation in Iraq is improving every day, but Soldiers remain in a very stressful environment. Leader involvement at every level is vital to combating stress and protecting our Soldiers.

One way we help Soldiers deal with the deployment is by quality of life improvements when they are not on patrols, convoys, or other operations. We have recreation areas set up on almost all of our compounds. Some have big-screen televisions, pools, videogames, Internet connections, pool tables, and telephones. Others are more austere but include weight equipment to help Soldiers stay physically and mentally fit.

We rely a great deal on junior leaders, chaplains, doctors, and stress teams to identify issues and ensure Soldiers who need help get it. Some

Soldiers have a perceived stigma that getting help is a sign of weakness; so getting help to those who may need it can be difficult. However, we are getting better at recognizing symptoms and warning signs and being proactive in referring Soldiers for care.

The combat stress control units are used to help treat Soldiers. They continually provide classes, counseling, and recommendations to leaders on how to identify those in need. These are small teams and it is leadership challenge to easily assist far-forward Soldiers. Rest assured that our leadership is working hard to improve that process and get these teams to Soldiers faster and sooner.

Over the next few months, we will conduct the largest deployment and redeployment of U.S. Soldiers since World War II. As leaders, we will mitigate risks now by ensuring every Soldier knows his or her role and that they remain focused on the inherent dangers until they step off the plane back in America and Europe.

I would like to highlight the U.S. Army Europe (USAREUR) Reintegration and Community Focused Redeployment Program. A number of redeploying units stateside have adapted their programs to replicate what the USAREUR program accomplishes.

The program begins with Soldiers participating in a series of training sessions, filling out redeployment surveys, and undergoing medical screening before they leave the theater. Upon return, this process continues during a seven-day program that offers classes, additional medical screening, and information to Soldiers and their families. This is accomplished prior to the Soldiers taking leave.

I believe the key element is family involvement. Our objective is to help smooth the reunion process for Soldiers, their spouses, and children. Important aspects of this program is to help participants recognize and establish realistic expectations about the reunion. They also learn how to spot symptoms of stress, learn about sources of assistance, and the importance of communicating.

Other areas of emphasis are on Privately Owned Vehicle (POV) safety and financial management. POV safety is included in reintegration training before and after deployment. For instance, more than 5,700 deployed Soldiers purchased motorcycles from the Army and Air Force Exchange Service (AAFES). Many of these Soldiers have not driven a civilian vehicle in over a year. Lieutenant General Sanchez and I are very concerned about this and ensured POV safety was on the forefront of everyone's mind.



Over the course of the deployment, Soldiers earned significant additional pay for family separation, hazardous duty, and imminent fire. This is a concern of mine. We encourage Soldiers to fight the urge to go on spending binges and waste the savings many have accumulated over the past year. Financial counselors are also helping redeploying Soldiers who already find themselves in debt.

A significant program available to Soldiers is called [armyonesource.com](http://armyonesource.com), which provides Soldiers and family members a 24-hour, seven-day a week resource to address issues, provide telephone assistance, and web-based informational tools. It supplements current programs and has been a tremendous help to families not near military installations, particularly for our Reserve Component families.

In addition, our Reserve Component family assistance centers have made a difference. Currently, we are operating 389 centers staffed with more than 1000 workers. These centers not only help Reserve Component families, but also active duty Army, Navy, Marines, Air Force, and Coast Guard.

All of these programs are constantly evolving. Our reintegration model has evolved tremendously since the early 1990s thanks to feedback from our Soldiers after operations in the Balkans. It will continue to get better as we test and modernize. The comments we received from Soldiers and families are extremely positive.

Finally, I would like to highlight a developing initiative that I think will not only help Soldiers, but also send a clear signal to people that we take care of our own. It is called the Disabled Soldiers Support System and its goal is to provide our most severely disabled Soldiers and their families with a system of personal support and liaison to resources, not constrained to an installation or component, with effective monitoring and follow up, to assist them in their transition from military service to civilian life.

Currently, we are interviewing the most recently medically retired Soldiers to determine their requirements and plan to operate this program by the 2nd quarter of fiscal year 2004 (COMMENT: we are in 2<sup>nd</sup> qtr FY 2004 and may need to update if this is in operation). The program will support and complement Department of Veterans Affairs' programs, but will not replicate them. Most importantly, we will continue to monitor and follow-up with our disabled veterans.

I appreciate your time today and your attention to these issues that concern all of us. Our Soldiers are our most precious resource and we will continue to strive to improve our tools and programs that take care of them. Thank you for all of your support.

**Statement of  
Michael J. Kussman, M.D.  
Deputy Chief Patient Care Services Officer  
Department of Veterans Affairs**

**AND**

**Susan H. Mather, M.D., Chief Officer  
Public Health and Environmental Hazards  
Department of Veterans Affairs**

**AND**

**Laurent S. Lehman, M.D.  
Chief, Mental Health Strategic Health Care Group  
Department of Veterans Affairs**

**Before the Subcommittee on Total Force  
Committee on Armed Services  
U. S. House of Representatives  
Hearing on Force Health Protection and Surveillance**

**February 25, 2004**

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today to discuss efforts of the Department of Veterans Affairs (VA) toward a seamless transition for separating service members from the Department of Defense (DoD) health care system to the VA health care system.

We have been working hard both internally and with DoD to identify the men and women returning from combat theaters and to provide those separated from active duty, particularly those injured or with deployment related illnesses, with world-class VA service. Anyone who has been wounded or injured or has become ill while in defense of our country deserves the highest quality and most timely service possible from their Government.

Working with DoD, VA has accomplished and put into place a number of strategies, policies, and procedures to provide timely, appropriate services to our returning service members.

#### **Seamless Transition Activities**

Last August, VA's Under Secretary for Benefits and Under Secretary for Health created a new VA Taskforce for the Seamless Transition of Returning Service Members to reduce red tape and streamline access to all VA benefits. This taskforce, composed of VA senior leadership from key program offices and the VA/DoD Executive Council

structure, focused initially on internal coordination efforts to ensure that VA approaches this mission in a comprehensive manner. In the process, we have improved dialogue and collaboration between our two Departments.

### **Points of Contact**

Through the leadership of the Taskforce, each Veterans Health Administration (VHA) facility and each VA regional office has identified a point of contact to coordinate activities locally and to assure that the needs of returning service members and veterans are met and that additional contact is made should the veteran relocate. VA has distributed guidance on case management services to VHA and VBA field staff to ensure proper coordination processes and that our expectations are communicated and followed. The guidance also addresses the roles and functions of the points of contact and case managers. VHA has recently revised its guidance to reflect recent experiences at field stations. The revised guidance will be distributed this month.

Working in collaboration with the military Surgeons General, the Veterans Benefits Administration (VBA) has detailed two full-time Veterans Service Representatives and VHA has detailed two full-time social workers to the Walter Reed Army Medical Center, the military treatment facility (MTF) receiving the largest numbers of casualties. Beginning in late August 2003, full-time and part-time VHA social workers and VBA Veterans Service Representatives have also been assigned as VA/DoD liaisons to the Brooke, Eisenhower, and Madigan Army Medical Centers, Darnall Army Community Hospital at Fort Hood, and the National Naval Medical Center in Bethesda. They work closely with military medical providers and DoD social workers to assure that returning service members receive information and counseling about VA benefits and programs, as well as assistance in filing benefit claims. They also coordinate the transfer of active duty service members and recently discharged veterans to appropriate VA health care facilities. Through this collaboration, we have improved our ability to identify and serve returning service members that sustained serious injuries or illnesses while serving our country. Over 1,100 hospitalized soldiers have received assistance from VA social workers.

### **Outreach Activities**

VA actively participates in discharge planning and orientation sessions for returning service members, and we have expanded our collaboration with DoD to enhance outreach to returning members of the Reserves and National Guard. Working with DoD Health Affairs and DoD Reserve Affairs, we developed a new brochure, "A Summary of VA Benefits for National Guard and Reserve Personnel." The brochure summarizes the benefits available to this group of veterans upon their return to civilian life. We have distributed over a million copies of the brochure to ensure the widest possible dissemination through VA and DoD channels. It is also available online at <http://www.va.gov/enviroagents/docs/SVABENEFITS.pdf> and [http://www.defenselink.mil/r2/mobile/pdf/va\\_benefits\\_rs.pdf](http://www.defenselink.mil/r2/mobile/pdf/va_benefits_rs.pdf). During FY 2003, VBA conducted over 800 briefings attended by almost 47,000 reserve and guard members.



During the 1<sup>st</sup> quarter of FY 2004, 317 briefings were conducted and were attended by more than 18,000 reserve and guard members.

Outreach activities include the distribution of flyers, posters, and information brochures to VA medical centers, regional offices, and Vet Centers. All of these publications explain VA services available to veterans. As VA becomes aware of service members who are separated from the military, VA contacts them to welcome them home and explain what local VA services are available. Furthermore, in order to make a wide selection of general information available to Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF) veterans online, we have created a direct "Iraqi Freedom" link from VA's Internet page ([www.vba.va.gov/EFIF](http://www.vba.va.gov/EFIF)). This new site provides information on VA benefits, including health and mental health services, DoD benefits, and community resources available to regular active duty service members, activated members of the Reserves and National Guard, veterans, and veterans' family members.

A critical concern for veterans and their families is the potential for adverse health effects related to military deployments. VA has produced a brochure that addresses the main health concerns for military service in Afghanistan, another brochure for the current conflict in Iraq, and one recently distributed on health care for women veterans returning from the Gulf region. These brochures answer health-related questions that veterans, their families, and health care providers have about these hazardous military deployments. They also describe relevant medical care programs that VA has developed in anticipation of the health needs of veterans returning from combat and peacekeeping missions abroad. These are widely distributed to military contacts and veterans service representatives; they can also be found on VA's website.

Another concern is the potential health impact of environmental exposures during deployment. Veterans often have questions about their symptoms and illnesses following deployment. VA generally addresses these concerns through such media as newsletters and fact-sheets, regular briefings to veterans' service organizations, national meetings on health and research issues, media interviews, educational materials, and websites, like [www.va.gov/enviroagents](http://www.va.gov/enviroagents).

As a new initiative recently requested by Secretary Principi, VA will shortly begin to send "thank-you" letters together with information brochures to each OIF and OEF veteran. These letters will provide information on health care and other VA benefits, toll-free information numbers, and appropriate VA web sites for accessing additional information.

### **Training and Education**

To ensure that our commitment is understood and shared at every level of the Department, the Taskforce developed a number of training materials and other tools for front line staff to ensure that they can identify veterans who have served in a theater of combat operations and take the steps necessary to ensure the veterans receive appropriate care.

To further aid VA employees in their efforts to assist OIF/OEF veterans, we have recently distributed a video entitled "Our Turn to Serve" to all VHA and VBA field facilities. The video helps VA staff better understand the experiences of military personnel serving in Operations Iraqi Freedom and Enduring Freedom and explains how they can provide the best possible service to these newest combat veterans. We have also provided copies of this video to Military Treatment Facilities. Additionally, we have created a web page for VA employees on the activities of the VA Seamless Transition Task Force. Included are lists of points of contact for all VHA health care facilities and VBA regional offices, copies of all applicable directives and policies, press releases, brochures, posters, Task Force minutes, and resource information.

The Veterans Health Initiative (VHI) is a program designed to increase recognition of the connection between military service and certain health effects; better document veterans' military and exposure histories; improve patient care; and establish a database for further study. The education component of VHI prepares VA healthcare providers to better serve their patients. A module was created on "Treating War Wounded," adapted from VHA satellite broadcasts in April 2003 and designed to assist VA clinicians in managing the clinical needs of returning wounded from the war in Iraq. Modules on spinal cord injury, cold injury, traumatic amputation, Agent Orange, the Gulf War, PTSD, POW, blindness/visual impairment and hearing loss, and radiation are also available. Training modules on infectious disease risks in Southwest Asia and on Weapons of Mass Destruction were released in January 2004. We are developing additional modules on military sexual trauma, traumatic brain injury, and pulmonary diseases of military occupational significance.

In addition to the VHA training modules on PTSD, VA's National Center for PTSD has developed the Iraq War Clinician's Guide for use across VA. The website version, which can be found at [WWW.NCPTSD.ORG](http://WWW.NCPTSD.ORG), contains the latest fact sheets and available medical literature and is updated regularly. The first version of the Iraq War Guide was published in June 2003. It is now being revised in collaboration with DoD based on our experience with returning casualties. These important tools are integrated with other VA educational efforts to enable VA practitioners to arrive at a diagnosis more quickly and accurately and to provide more effective treatment.

### **VA Health Care**

Mr. Chairman, veterans who have served or are now serving in Afghanistan and Iraq may enroll in the VA health care system and, for a two-year period following the date of their separation from active duty, would receive VA health care without co-payment requirements for conditions that are or may be related to their combat service. Following this initial two-year period, they may continue their enrollment in the VA health care system but may become subject to any applicable co-payment requirements. Based on lists of separated OIF and OEF veterans received from DoD, we estimate that as of December 2003, 9,753 OIF veterans and 1,798 OEF veterans had received health care from VA for a wide variety of health problems.

For returning service members who are experiencing emotional and behavioral problems, VA has programs specifically developed to assess and address emotional and behavioral problems associated with the military experience. The training programs cited above will ensure that our skilled clinicians will be better able to identify and treat problems presented by the newest generation of combat veterans. The VHI module on PTSD in Primary Care mentioned above is designed to increase recognition of PTSD in medical primary care settings. Within these mental health programs, VA operates a comprehensive continuum of clinical care for posttraumatic stress disorder (PTSD) in its Medical Centers and clinics. This is accomplished both through special PTSD programs and through PTSD specialists in general mental health programs.

VA's Vet Centers also play an important role complementing VA health care services. Our mental health clinical activities are linked to and supportive of Vet Center activities. Vet Center staff members actively pursue outreach to military installations and family support centers to assist veterans and their families in the veterans' return to civilian life. Last year, Vet Centers began extending readjustment counseling services to all OEF and OIF veterans. As of December 2003 Vet centers had served 4,300 of these veterans.

### **Clinical Tools**

Earlier I discussed the Veterans Health Initiative (VHI) as a program designed to increase recognition of the connection between military service and certain health effects. VA has also developed additional tools to assist the clinician when treating OIF and OEF veterans.

A screening instrument in the form of a clinical reminder triggered by the veteran's separation date is being implemented for returning OIF and OEF veterans who come to VA for health care. This assessment tool will prompt the provider with specific screening requirements to assure that veterans are evaluated for medical and psychological conditions that may be related to recent combat deployment.

VA has also developed evidence-based clinical approaches for treating veterans following deployment. These clinical practice guidelines (CPGs) give health care providers the needed structure, clinical tools, and educational resources that allow them to diagnose and manage patients with deployment-related health concerns. Two post-deployment CPGs have been developed in collaboration with DoD, a general purpose post-deployment CPG and a CPG for unexplained fatigue and pain. Our goal is that all veterans will find their VA doctors well informed about specific deployments and related health hazards. The VA website contains these CPGs as well as information about unique deployment health risks and new treatments.

VA and DoD will release a new CPG on the management of traumatic stress by the end of this month. This guideline pools DoD and VA expertise to help build a joint assessment and treatment infrastructure between the two systems in order to



coordinate primary care and mental health care for the purpose of managing, and, if possible, preventing acute and chronic Post Traumatic Stress Disorder (PTSD).

### **Record Sharing between VA and DoD**

VA and DoD are also collaborating to develop the ability to share medical information electronically. Since June 2002, the Departments have successfully been sharing electronic medical information. Key initiatives in the Electronic Health Records Plan are the Federal Health Information Exchange (FHIE) and HealthPeople (Federal). FHIE provides historical data on separated and retired military personnel from the DoD's Composite Health Care System to the FHIE Data Repository for use in VA clinical encounters and potential future use in aggregate analysis. Patient data on laboratory results, radiology reports, outpatient pharmacy information, and patient demographics are now being sent from DoD to VA via secure messaging. This second phase of FHIE has been deployed and is operational at VA medical centers nationwide. It includes admission, discharge, transfer data, discharge summaries, allergies, and consult tracking. Most recently, additional enhancements were completed to provide retail pharmacy data from the DoD Pharmacy Data Transaction Service. Work on the final release of FHIE is on target to provide Standard Ambulatory Data Record information to VA. FHIE is scheduled to go into maintenance mode at the end of the second quarter FY 2004. The next Phase of the Plan will provide bi-directional exchange of health data between Departments. VA and DoD are developing prototype interoperable data repositories using standardized data that will demonstrate bi-directional data exchange with pharmacy information in October 2004. The Departments will achieve health system interoperability by October 2005.

We are also working with DoD to develop processes whereby pre- and post-deployment health assessments will be available electronically to VA physicians and claims examiners. We are further analyzing the HIPAA Privacy rule and its implications for our health information sharing efforts.

### **Summary**

A service member separating from military service and seeking health care through VA today will have the benefit of VA's decade-long experience with Gulf War health issues as well as the President's commitment to improving collaboration between VA and DoD. VA has successfully adapted many existing programs, improved outreach, improved clinical care through practice guidelines and educational efforts, and improved VA health provider's access to DoD health records. Secretary Principi has emphasized VA's commitment to returning combat veterans. In his words, "We will have failed to meet our very reason to exist as a Department if a veteran is poorly served."

This concludes my statement. My colleagues and I will be happy to respond to any questions that you or other members of the Subcommittee might have.

**STATEMENT OF  
THE MILITARY COALITION**

**before the**

**Total Force Subcommittee  
House Armed Services Committee**

**February 25, 2004**

**Presented by**

**Robert Washington  
Fleet Reserve Association  
Co-Chairman, Health Care Committee**

**Sue Schwartz, DBA, RN  
Military Officers Association of America  
Co-Chairman, Health Care Committee**

MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE, on behalf of The Military Coalition, a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful for this opportunity to express the coalition's views on force health protection and pre-post deployment health issues. This testimony promotes the collective views of the following organizations, which represent approximately 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

- Air Force Association
- Air Force Sergeants Association
- Air Force Women Officers Associated
- American Logistics Association
- AMVETS (American Veterans)
- Army Aviation Association of America
- Association of Military Surgeons of the United States

- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Association for Uniformed Services
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Non Commissioned Officers Association
- Reserve Officers Association
- The Retired Enlisted Association
- The Society of Medical Consultants to the Armed Forces
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars
- Veterans' Widows International Network

The Military Coalition, Inc., does not receive any grants or contracts from the federal government.



**Robert Washington, Sr.**  
**Director Legislative Program**  
**Fleet Reserve Association**

Robert Washington, Sr., is Director Legislative Program for the Fleet Reserve Association (FRA). He joined the Association in February 1988 and has been a continuous member ever since. He is a retired Senior Chief Yeoman. Before joining the FRA National Headquarters staff in 1998, he was the Navy's Senior Enlisted Advisor for the Defense Information Systems Agency in Arlington, Virginia.

He enlisted in the United States Navy in December 1971, and served continuously until his transfer to the Fleet Reserve. During his career, he served aboard the USS Strong (DD-758), USS Simon Lake (AS-33), HS-17 onboard USS Coral Sea (CV-43), USS Mount Whitney (LCC-20), and was embarked in COMCARGRU FOUR staff, Norfolk, Virginia. He also served at the following shore duty command: Staff MINERON Twelve, Charleston, South Carolina; PSD, NTC, Orlando, Florida; PSD Crystal City, Arlington, Virginia; Bureau of Naval Personnel, Washington, DC; DISA, Arlington, Virginia. He is also a graduate of the Navy Senior Enlisted Academy, Newport, Rhode Island.

As Director Legislative Program, he works hand-in-hand with The Military Coalition (TMC) and Congress on healthcare issues involving active duty members, reservists, and military retirees and their family members. He is also responsible for communicating with Congress on military compensation, benefit and entitlement issues, writing and presenting testimony, tracking legislation and speaking at FRA legislative seminars. The Coalition represents over five million active duty, reserve, and retired military personnel, and veterans. Washington also serves as co-chairman of TMC's Health Care Committee, as a representative to the Navy and Marine Corps Council, the Department of Defense Healthcare Initiatives Review Panel, and the Uniformed Beneficiary Pharmacy Advisory Panel.

He is presently serving as Regional President East Coast Region, past President of Navy Department Branch 181, Fleet Reserve Association, Arlington, Virginia, past Chairman Central Liaison Committee for the Northern Capitol Region, and past Chairman of the Association's Bylaws and Rules Committee, East Coast Region.

He was born in Charleston, South Carolina, and was raised and educated in that city. He and his wife, Debra, currently reside in Oxon Hill, Maryland; they have two sons and one daughter.

**Biography of Sue Schwartz, DBA, RN  
Deputy Director, Government Relations  
The Military Officers Association of America**

Sue Schwartz is Deputy Director of Government Relations, Health Affairs at The Military Officers Association of America (MOAA) where she follows health care reform legislation and its potential impact on the military health services system and serves as co-chairman of the Military Coalition's Health Care Committee. In November 2000, Dr. Schwartz joined the staff at MOAA after leaving the National Military Family Association (NMFA) as the Associate Director, Government Relations

Dr. Schwartz has over 19 years experience as a registered nurse in a variety of health care settings, holding positions of staff nurse, Operating Room Educator, Operating Room/Post Anesthesia Care Unit Director, and Quality Improvement Director. Her consultative experience with Allegiance Health Care, Inc., emphasized cost reduction through supply logistics and clinical activities reengineering. She has served as a commissioner on the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans and is a member of the Office of the Secretary of Defense TRICARE Beneficiary Panel.

Her simultaneous education preparation includes: DBA from NOVA Southeastern University, MBA from Auburn University, Montgomery, MSA from Central Michigan University, BS from Springfield College and ADN from Bristol Community College. Dr. Schwartz is a certified operating room nurse (CNOR) since 1989, receiving the Association of Perioperative Registered Nurses (AORN) scholarship awards in 1990, 1991, 1997 and 1998. In addition, she is a member of Beta Gamma Sigma, a national business honorary.

A spouse of an active duty Marine officer, she resides in Northern Virginia.

The Coalition would like to thank the Subcommittee once again for sponsoring a wide range of legislation that is helping servicemembers, veterans, their family members and survivors. We deeply appreciate the Subcommittee's continued leadership and commitment to those who are in uniform today and those who have served our nation in the past.

Force health protection, covers many areas: fitness and health, protection and prevention, and treatment. We would like to focus our attention today on deployment health policy, practices and procedures. Critical to this effort is effective coordination and collaboration between the Defense Department (DoD) and the Department of Veterans Affairs (VA). The Coalition believes both departments are working together better than in the past, though we believe more must be done.

**Pre - and Post - Deployment Assessment.** In April 2003, the Under Secretary of Defense for Personnel and Readiness, Dr. David Chu, endorsed a policy that now requires all commands to have an enhanced post-deployment health assessment process. The Coalition agrees with a GAO assessment that there has been significant improvement in compliance with DoD guidance. Unfortunately, the war against terrorism was well underway before this guidance was finally enforced.

DoD is to be commended for making headway in pre-deployment health assessment, continuous hazard and health monitoring in the field, and a post-deployment assessment. Individual serum samples are collected and maintained in the DOD serum repository. Occupational and environmental health surveillance programs help monitor members' deployment health.

The pre- and post-assessment forms (DD Form 2795/2796) are self-administered documents and medical personnel review the forms with servicemembers. Any positive responses trigger additional review and referral for follow-up care.

The Coalition has reviewed these documents and we have concerns about subjectivity and the human dimension of the evaluation process.

The Coalition recognizes that the men and women of the uniformed services are truly dedicated to their mission -- protecting the interests of our nation. We fear the "zeal" to deploy may cause some individuals to overlook any physical ailments they believe may cause them to remain behind. Our men and women want to serve and go to great lengths to do so. We can see that it would be easy to overlook or even deny a condition when completing self-reporting documents, especially with the pre-deployment form (DD 2795).

Subjectivity also can complicate the more thorough post-deployment assessment (DD 2796), since servicemembers are eager to "get out" or "get home." They may overlook or deny conditions in their desire to return home or for fear that their return may be delayed in a medical hold status.

Several recent GAO reports have addressed compliance with force health protection policies (September 2003, October 2003 and others). While these investigations have dealt with the process, the Coalition asks the Subcommittee to provide oversight to evaluate the effectiveness of



the content and the outcomes of a program that has a subjective self-assessment component coupled with some aspects of a "medical" review. The problem is that these procedures and the resources to support them vary considerably among the Services and their Reserve components.

***The Coalition urges the Subcommittee to direct a study of the effectiveness of the self-administered pre - and post - deployment assessment and continue providing oversight to ensure compliance with pre- and post-deployment policies and procedures.***

**National Guard and Reserve Deployment and Post-Deployment Health Issues.** The Military Coalition is most appreciative to Congress for including the Temporary Reserve Health Care Program (Section 702) in the FY 2004 National Defense Authorization Act. This program will provide temporary coverage, until December 2004, for National Guard and Reserve members who are uninsured or do not have employer-sponsored health care coverage. TRICARE officials plan to build on existing TRICARE mechanisms to assist in implementation; however, TMA is not certain how long this will take. Reserve Component members are anxious to enroll, and fear that the coverage period may be lost. Immediate implementation is required.

The Coalition is also grateful to the Subcommittee for Sections 703 and 704 of the NDAA. Section 703, Earlier Eligibility Date for TRICARE Benefits for Members of Reserve Components, provides TRICARE health care coverage for reservists and their family members starting on the date a "delayed-effective-date order for activation" is issued.

Section 704, Temporary Extension of Transitional Health Care Benefits, changes the period for receipt of transitional health care benefits from 60 or 120 days to 180 days for eligible beneficiaries. These provisions should be easier to implement than the TRICARE buy-in provision of Section 702 and we understand that the technical fixes to the Defense Eligibility and Enrollment Reporting System (DEERS) are being made to implement the Section 704 benefits. We are concerned, however, that the latest word from DoD, a February 12, 2004 press release announcing the implementation of these benefits, provided few details about the implementation and continued to encourage beneficiaries to save their receipts for health care incurred in the demonstration period "in the event the sponsor is determined to be eligible and the care qualifies for retroactive TRICARE reimbursement once the 2004 Temporary Reserve Health Benefit Program begins."

Congress recognized the extraordinary sacrifices of our citizen-soldiers by extending this pre- and post-mobilization coverage. Now it's time to recognize the changed nature of 21st century service in our nation's reserve forces by making these pilot programs permanent.

***To support military readiness, recruitment / retention programs, deployment health, and reserve family morale, the Military Coalition strongly urges the Subcommittee to endorse permanent authorization of all provisions of the Temporary Reserve Health Care Program (Sec 702, 703, and 704 P.L. 108-136).***

**President's Task Force Recommendations.** The Coalition endorsed the final Report (May 2003) of the President's Task Force (PTF) to Improve Health Care Delivery for Our Nation's Veterans.

A major PTF recommendation is a seamless transition to veteran status for separating and retiring servicemembers. As soon as an individual enters the armed forces, DoD and VA should have a stake in monitoring and evaluating the member's health. Force health protections, medical readiness, and research into occupational exposures are all important government interests in this collaboration.

Lessons learned from the first Gulf War taught us that a better job must be done to collect, track and analyze occupational exposure data. Without this information, benefits determinations cannot be fairly adjudicated, nor can the causes of service-related disorders be better understood. The enhanced post-deployment health assessment for servicemembers serving in Operation Iraqi Freedom is designed to capture occupational exposure information. The objective is to benchmark information for future reference and intervention as necessary.

To do so, both departments must share exposure information and any other health status data electronically. VA and DoD need to complete development of an interoperable bi-directional electronic medical record (EMR) -- the lynchpin to a seamless transition (PTF Recommendation 3.3). The technology exists but the will must be found to move forward to completion.

Another important PTF recommendation is "the one-stop physical" upon separation or retirement. Offering one discharge physical, providing outreach and referrals for a VA Compensation and Pension examination (PTF Recommendation 3.4), as well as following up on claims adjudication and ratings is not just more cost effective in terms of capital and human resources, it is the right thing to do -- to ensure that servicemembers receive the benefits they have earned and deserve.

There is an ideal mechanism for this approach and that is the Department of Veterans Affairs Benefits Delivery at Discharge (BDD) program. Presently, the various VA regional offices have ongoing BDD programs at 136 military installations in the United States and overseas in Korea and Germany to ensure that separating military members, who participate in the program, receive a VA Compensation and Pension examination leading to a disability compensation rating immediately upon separation.

The BDD program has proven extremely successful but so far occurs only through local agreements between the regional office directors and installation commanders.

***TMC recommends a national Memorandum of Understanding between the Secretaries of Defense and Veterans Affairs is now critical to achieve the maximum efficiency and cohesive support for this exemplary program.***

Finally, the government has been talking about developing an electronic DD 214 for years, yet the document remains in paper format. Initial start-up costs would be paid back many times over in efficiencies gained. This is not just a matter of conserving resources. It is essential to remove barriers that in the past have denied servicemembers and veterans proper medical care and benefits determinations.

Other commissions have worked toward the same goals in the past, only to have their recommendations sit on the shelf. Successful implementation will require Congressional direction and additional funding.

***The Military Coalition asks the Subcommittee to work with the Veterans Affairs Committee and the Departments of Defense and Veterans Affairs to ensure action on the PTF recommendations including seamless transition, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessment, and implementation of an electronic DD214.***

**Tracking Occupational Exposure Data.** The PTF made additional recommendations regarding collecting and sharing comprehensive servicemember data to determine the effects of service on veteran health. Significant issues arise when attempting to assess the health of veterans whose condition may have resulted from exposures to occupational/environmental hazards during military service. Agent Orange and Gulf War Undiagnosed Illnesses challenges were made more difficult by the inability to determine where members served, the environmental condition, and personal exposure.

To put it simply, medical records must be tied to personnel records to effectively evaluate the cause and effect of exposures. The Coalition is grateful that this Subcommittee recognized this problem by enacting Section 767 (P.L. 105-85), Tracking Service Member Location.

The issue is even more critical in light of the increased threat of biological or chemical warfare. The Coalition is mindful of the national security implications of this task, as stated in the PTF report: "Providing VA occupational exposure data, however, must be weighed against the potential security concerns of releasing these data, as in matters involving individual location for certain types of individuals, such as Special Forces, or assignment detail for sensitive areas."

However, not all orders are classified and much could be done to tie medical and personnel records for cases of exposures during routine operations. The Coalition notes that by 2006, the Defense Integrated Military Human Resources System (DIMHRS) is expected to consolidate the personnel and pay systems. This will provide a single service record and service activities. However, the PTF noted, "...many elements related to tracking an individual's specific location, activities and exposures will remain undocumented."

In a hearing before the Subcommittee on National Security, Emerging Threats and International Relations, House of Representatives Committee on Government Reform (March 25, 2003), Dr. William Winkenwerder, Jr., Assistant Secretary of Defense for Health Affairs, reported that since DIMHRS is still several years away, the department has offered a temporary solution -- an interim deployment medical surveillance system, the force health protection portal. The Coalition is concerned whether this measure is adequate given the very high stakes posed by the war on terrorism.

***The Coalition urges the Subcommittee to continue to monitor implementation of Section 767 of P.L. 105-85) and take steps to facilitate the PTF recommendation that the VA and DoD provide***



***sharing of servicemembers' assignment history, location, occupational exposure, and injuries information.***

**Dental Readiness.** The number one deployment problem in the First Gulf War was dental "un-readiness" and the same is true today. Reserve Component members are required on their own to maintain a certain level of dental readiness, known as "Classification T-2" for mobilization purposes. Classification T-2 means that no emergency dental procedures would be required for at least six months.

Unfortunately, the current DoD Selected Reserve dental program does not provide a benefits package that can assure participants would meet "Classification T-2" standards. In addition, only five percent of eligible Guard and Reserve members are enrolled. The program provides diagnostic and preventive care for a monthly premium, and other services including restorative, endodontic, periodontic and oral surgery services on a cost-share basis, with an annual maximum payment of \$1,200 per enrollee per year.

During this mobilization, soldiers with repairable dental problems had teeth pulled at mobilization stations to meet deployment timetables. Congress responded by passing legislation that allows DoD to provide medical and dental screening for Selected Reserve members who are assigned to a unit that has been alerted for mobilization. But, waiting for an alert to initiate screening is too late. For Operation Iraqi Freedom call-ups, the average time from alert to mobilization was less than 14 days, insufficient to address deployment dental standards. In some cases, units were mobilized before receiving their alert orders. This lack of notice for mobilization continues, with many reservists getting notification days prior to call-up.

***The Military Coalition recommends increasing the government subsidy under the Selected Reserve TRICARE Dental Plan and enhancing the benefit package to allow reservists to meet readiness and deployment dental standards.***

Other medical and family readiness issues of concern to TMC include the following:

- Optional Payment of Premiums for Employer or Personal Health Insurance. Guard and Reserve family members are eligible for TRICARE if the member's orders to active duty are for more than thirty days; but some families would prefer to preserve the continuity of their own health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting. Many Guard and Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE patients.

Recognizing these challenges for its own reservist-employees, the Department of Defense routinely pays the premiums for the Federal Employee Health Benefit Program (FEHBP) when activation occurs. In addition, Congress authorized all other Federal departments and agencies to provide this benefit. If this benefit is good for the roughly 10 percent of the Selected Reserve who are federal workers, it ought to be provided in kind to the rest of the Guard and Reserve as an option.

***The Military Coalition urges the Subcommittee to authorize payment of part or all of civilian health care premiums as an option for mobilized service members.***

- Inadequate Resources and Policy Gaps Cause Medical ‘Holds’. The Coalition is grateful for the Subcommittee’s leadership in drawing attention to and directing action on the medical hold backlogs. While the Coalition appreciates the Subcommittee’s efforts as well as those of the defense medical community, we believe that a root cause of medical holds is the lack of consistent and comprehensive screening protocols, and the resources to support them.

Reserve component members often must complete military medical exams in the private sector. The requirement for a medical examination (a “physical”) varies by military specialty, but it is the Coalition’s understanding that the general standard for active duty and reserve servicemembers is that one must be conducted every five years. For reservists who do not have insurance there is an understandable reluctance to incur a personal expense that the government does not reimburse. Even for those with employer-sponsored insurance or insurance through others means, a routine physical is often not a covered benefit. (Routine physicals are not a TRICARE Standard benefit either).

***The Military Coalition recommends that Congress provide the Services and their reserve components with adequate resources to meet and maintain deployment medical standards prior to mobilization.***

- Coordination of TRICARE – VA Benefits During Post-Deployment Period. In 2002, the VA established a policy permitting returning National Guard and Reserve combat theatre veterans to have two-years’ access to VA care without regard to a VA disability rating (VHA Directive 2002-049). Servicemembers are assigned to VA priority group ‘6’ pending completion of their ratings. While TMC applauds this effort to provide extended benefits, we have several concerns.

During transition there will be an overlapping period when servicemembers will have both TRICARE and VA benefits. The Coalition has concerns about “the handoff” of these individuals from one system to the other. What kind of support is available to assist them to better understand which benefit to use and when? How proactive are both departments in educating servicemembers?

Eventually, these new veterans will undergo medical evaluation and some may receive a VA disability compensation rating. For those assigned to VA priority groups 1-6, the usual access rules will apply. Unless they have been reliant on VA services those assigned to VA priority 7 or 8 could be disenrolled from VA health care. That could defeat the objective of continuous health surveillance beyond the two-year window.

***The Military Coalition is grateful for extended TRICARE and VA health benefit coverage for returning reservists and we recommend closer collaboration between DoD and VA to ensure servicemembers are educated on their coverage alternatives during transition.***

**Mental Health Care Services.** United Press International reported on February 18, 2004 that between 8 and 10 percent of the nearly 12,000 soldiers evacuated in the war on terror had mental problems, according to the commander of the Landstuhl Regional Medical Center in Germany, Colonel Rhonda Cornum, USA. (COL Cornum is a decorated combat veteran and former-POW of the First Gulf War). COL Cornum said the ill troops had "psychiatric or behavioral issues".

As we noted earlier, acute physical injuries arising from combat receive world-class care. But TMC is also concerned about the growing number of returning troops who have scars that are not visible and may be overlooked -- the psychological conditions that inevitably arise from war, such as PTSD and other problems that have led to domestic violence. The demographics of the volunteer force today are vastly different than the largely conscripted forces of conflicts before the first Gulf War and more than 50% of the force is married, many with dependent children.

While both the DoD and the VA have experience treating mental illness caused by war, our concern is also for the families who must adjust to servicemembers who return with the physical, emotional, and psychological scars of war. Who will be there to help the family members whose lives will be changed forever?

Reserve component members and their families -- many of whom live far from the support services provided on military installation--may experience additional stressors as a result of the disruption from mobilization. The Coalition is also concerned that some mental health issues may not emerge until sometime in the future, after these families' eligibility for TRICARE has ended. Where will these families find the help they may need? How will deployment-related mental health issues that emerge among reserve component servicemembers and their families after the servicemembers' return to their civilian occupation and communities be identified and tracked in statistics of deployment-related health care issues

The Coalition notes that all servicemembers and reserve component personnel and their families can now access the "One Source" 24-hour information and referral service previously available only for Marine Corps and Army personnel. One Source provides information and assistance in such areas as parenting and childcare, educational services, financial information and counseling, civilian legal advice, elder care, crisis support, and relocation information. The service is available via telephone, email, or the web and is designed to augment existing Service support activities and to link customers to key resources, web pages and call centers. It will also be available to family center staff.

The Coalition hopes that these assistance programs will serve as a useful augmentation and relieve the burden of counseling that traditionally has fallen on family service centers and Chaplains. The Coalition believes that our families will need all available resources and more.

*The Coalition recommends that the Subcommittee endorse the necessary resources to support robust psychological services for our nation's servicemembers and veterans so that they avoid becoming the next generation of our nation's homeless.*

**Care and Transition Support for Less Acute Patients.** The Coalition believes that those who are acutely injured are getting "five star" care from the DoD with a smooth handoff to the VA for



follow up care. Collaboration in these efforts is unprecedented. VA Social Workers, Disabilities Specialists and others are working in the military's direct care system to facilitate the transition of injured servicemembers to the VA system. We are also pleased to note the development of a post-deployment health clinical practice guideline so that DoD and VA providers will use the same tool to provide effective and appropriate evaluation and response to the medical concerns of those servicemembers returning.

However, TMC is concerned over questions related to the care of those with less acute conditions who is not being cared for at major military medical centers. We are less confident that the handoff between the DoD and VA at a smaller installation is as effective as that of the larger facilities. The Coalition believes that coordination activities for the less acutely disabled could be improved. Currently 250,000 troops are being rotated in and out of Iraq – the largest peacetime rotation since WWII. It is imperative that the VA and DoD build on their collaboration by improving outreach and transition services at all military hospitals, re-deployment sites and separation activities.

***TMC recommends that the Subcommittee oversee the transition process for less acute patients and ensure there are sufficient resources to support the needs of returning ill and wounded servicemembers, including the more than 350,000 members of the Guard and Reserve who have been mobilized since 9/11.***

## CONCLUSION

The Military Coalition reiterates its profound gratitude for the extraordinary progress this Subcommittee has made in the area of deployment health policy, practices and procedures as well as securing a wide range of personnel and health care initiatives for all uniformed services personnel and their families and survivors. The Coalition is eager to work with the Subcommittee in pursuit of these goals as outlined in our testimony.

Thank you very much for the opportunity to present the Coalition's views on these critically important topics.

**STATEMENT OF  
DENNIS MICHAEL DUGGAN, DEPUTY DIRECTOR  
NATIONAL SECURITY/FOREIGN RELATIONS COMMISSION  
BEFORE THE  
SUBCOMMITTEE ON TOTAL FORCE  
COMMITTEE ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES  
ON  
FORCE HEALTH PROTECTION AND SURVEILLANCE IN THE GLOBAL  
WAR ON TERRORISM**

**FEBRUARY 25, 2004**

Chairman McHugh and Members of the Subcommittee:

The American Legion, as the Nation's largest organization of wartime veterans, is pleased to appear before this Subcommittee to express its concerns with regard to the Department of Defense Force Health Protection (FHP) and surveillance efforts for service members deployed to Operation Enduring Freedom and Operation Iraqi Freedom. The American Legion is supportive not only of veterans, but national security issues and military quality of life concerns of the active duty military, Guardsmen, Reservists, military retirees, and their families. A lot of our first-hand observations come from the immediate families of Guardsmen and Reservists who have either deployed or have returned from deployments. Since the Persian Gulf War, The American Legion's Family Support Network has worked with literally tens of thousands of service members and their families.

As American military forces are once again engaged in combat overseas, the health and welfare of deployed troops is of utmost concern to The American Legion. The need for effective coordination between the Department of Veterans Affairs (VA) and the Department of Defense (DOD) in the force protection of U.S. forces is paramount. It has been thirteen years since the first Gulf War, yet many of the hazards of the 1991 conflict are still present in the current war.

A pretreatment for the nerve agent soman, pyridostigmine bromide (PB), was approved by the Food and Drug Administration just prior to the start of Operation Iraqi Freedom. Although its effectiveness is questionable, and it has not been ruled out as a possible cause of multi-symptom illnesses reported by thousands of Gulf War veterans, this treatment turned out to be unnecessary; however, PB available for use at commanders' discretion. The contentious anthrax vaccine is also being administered to deployed personnel and controversial depleted uranium munitions continue to play a large role in American combat operations.

Although Chemical and biological weapons have not been used against American troops in Afghanistan and Iraq, the potential for such an attack in future operations and deployments still exists. The American Legion is concerned about the ability of American military forces to operate and survive in a nuclear, biological or chemical (NBC) environment. During the 1991 Gulf War, the thousands of chemical detection alarms were later reported as "false alarms." The

ability to properly detect the presence of NBC agents in the area of operation remains a grave concern.

Just prior to Operation Iraqi Freedom, questions surfaced around DOD's ability to properly identify, track and locate defective chemical protective suits. In October 2002, the General Accounting Office (GAO) reported that in May 2000, DOD ordered storage depots and units to locate 778,924 defective suits produced by a single manufacturer. As of July 2002, military officials were unable to account for 250,000 defective suits. Responding to an American Legion inquiry, officials from the Deployment Health Support Directorate reported they "believed" the remaining defective suits had either been destroyed or used in training activities. The difficulty in locating the defective suits was a result of inventory records lacking contract and lot numbers. GAO also reported that DOD could not determine whether its older suits would adequately protect military personnel because some of the systems' records do not contain data on suit expiration. Finally, GAO reported that the risk of shortages of protective clothing might increase dramatically from the time of its report (October 2002) through at least 2007.

Prior to the 1991 Gulf War deployment, troops were not systematically given comprehensive pre-deployment health examinations, nor were they properly briefed on the potential hazards, such as fallout from depleted uranium munitions, that they might encounter. Record keeping was poor. Numerous examples of lost or destroyed medical records of active duty and reserve personnel were identified. Vaccines were not administered nor recorded in a consistent manner and records were often unclear or incomplete. Moreover, personnel were often not provided information concerning vaccinations or prescribed medications. Some medications were distributed with little or no documentation, including dosage instructions, information on possible side effects or instructions for service members to immediately report unexpected side effects to medical personnel.

Physical examinations (pre- and post-deployment) were not comprehensive and information regarding troop movements/locations and possible environmental hazard exposures was severely lacking. The lack of such baseline data and other information is commonly recognized as a major limitation in the evaluation and understanding of potential causes of the unexplained multi-symptom illnesses, referred to collectively as Gulf War veterans' illnesses, still plaguing thousands of Gulf War veterans thirteen years after the war. Although the government has conducted more than 230 research projects, at a cost of more than \$240 million, lack of crucial deployment data has resulted in many unanswered questions. Unfortunately, many questions will probably never be answered.

The goal of DOD's FHP policies and programs is to promote and sustain the health of service members during their entire length of service. On the surface, the FHP concept and related policies appear to have addressed the major problems of the past. Unfortunately, reality may be a different story. In previous congressional testimony, officials from GAO reported that although DOD placed the responsibility for implementing its FHP policies with a single authority, the Deputy Assistant Secretary of Defense for Force Health Protection and Readiness, each service branch is ultimately responsible for implementing DOD initiatives and policies to achieve FHP goals. GAO noted that this caused concerns about how the services would uniformly collect and share core data on deployments and how DOD will integrate information



on the health status of service members. According to GAO, DOD officials also verified that its medical surveillance policies and efforts depend on the priority and resources dedicated to their implementation.

The American Legion would like to specifically identify an element of FHP that deals with DOD's ability to accurately record a service member's health prior to deployment and document or evaluate any changes in his or her health that occurred during deployment. This is exactly the information VA needs to adequately care for and compensate service members for service-related disabilities once they leave active duty. Section 765 of PL 105-85 directed DOD to take specific actions to improve medical tracking for personnel deployed overseas in contingency or combat operations, outlining a policy for pre- and post-deployment health evaluations and blood samples. The conduct of a thorough "examination" (pre- and post-deployment), including the drawing of blood samples, was specifically identified in the law.

DOD initially created a brief health questionnaire for deploying and returning service members to fill out, contrary to the medical examinations as required by PL 105-85. The pre-deployment questionnaire, DD Form 2795, contained eight questions and the post-deployment questionnaire, DD Form 2796, contained six questions. The American Legion, in congressional testimony presented last year in the early days of Operation Iraqi Freedom, asserted that a self-reported health assessment questionnaire is not of the same value as an examination conducted by a physician or other medical officer. Self-reported health assessment is not necessarily an accurate, or reliable gauge of an individual's health status prior to or following deployment.

In response to immense concern over the brevity and usefulness of the health questionnaire, the Under Secretary of Defense for Personnel and Readiness issued an "enhanced" post-deployment questionnaire (DD Form 2796) on April 22, 2003. The pre-deployment questionnaire was not changed. Upon review, The American Legion did not see any significant changes. Although the new version is more detailed than the previous one, it still does not fulfill the requirement of "thorough" medical examinations nor does it even require a medical officer to administer the questionnaire or counsel participating personnel. The Under Secretary's guidance to combatant commanders specifically states that, in addition to a physician, physician assistant, or nurse practitioner, an enlisted independent duty corpsman or independent duty medical technician are also authorized to administer the questionnaire. This means that an actual physician or other medical officer may not even be part of the post-deployment health assessment process in at least some, if not most, instances. This is unacceptable.

Although DOD, as part of the "enhanced" post-deployment health assessment, now requires a blood sample be obtained from returning personnel no later than 30 days after arrival at their home station or demobilization site, DOD still relies on blood samples taken for human immunodeficiency virus (HIV) tests to fulfill the pre-deployment blood drawing requirement of PL 105-85. According to DOD procedure, deploying military personnel must be tested and found negative for HIV no more than 12 months before deployment on contingency operations. Although a specimen of serum used for this testing is stored at the DOD Serum Repository, the pre-deployment sample could be up to a year old, or older, and would, therefore, not be an accurate gauge of health immediately prior to deployment. This is unacceptable and should be re-evaluated.

According to DOD policy, commanders are responsible for ensuring compliance with and implementation of FHP programs and policies. In the fall of 2003, GAO reported on the Army and Air Force's compliance with DOD's FHP and surveillance requirements for personnel deploying in support of Operation Joint Guardian in Kosovo and Operation Enduring Freedom in Central Asia. GAO reviewed selected Army and Air Force bases, medical records of 1,071 service members (from a universe of 8,742) participating in these operations. GAO found noncompliance with FHP and surveillance policies for many active duty service members. This included required pre- and post-deployment health assessments, required immunizations and failure to maintain health-related documentation in a centralized location. Of the records reviewed, 38 to 98 percent were missing one or both of the pre- and post-deployment health assessments. The review also found that as many as 36 percent were missing two or more required immunizations. This is unacceptable and a disservice to these service members.

Additionally noted, many service members' medical/health records did not include health assessments found in DOD's centralized database nor did DOD maintain a complete centralized database of service members' health assessments and immunizations. GAO concluded the noncompliance problems it uncovered were the result of the absence of an effective quality assurance program at the Office of the Assistant Secretary of Defense for Health Affairs or at the Army or Air Force and reported that the centralized deployment database was missing information needed to track military personnel's movement in the theater of operations. As of July 2003, DOD's data center had begun receiving location-specific deployment information from the services and was in the process of reviewing its accuracy and completeness at the time GAO released its report. The American Legion is optimistic these corrections will be made, but believe timely verification is absolutely necessary.

As a result of its investigation, GAO recommended DOD establish an effective quality assurance program to ensure the military branches comply with the FHP and surveillance policies for all service members. DOD agreed with GAO's recommendation and informed The American Legion that it will create a Quality Assurance directorate under its Deployment Health Support Directorate. Its focus will be on ensuring compliance with FHP policies on pre- and post-deployment health assessments, immunization records and blood drawing for HIV and post-deployment assessments. Annual reports will be submitted to the Assistant Secretary of Defense for Health Affairs. The American Legion appreciates DOD's increased efforts to ensure its FHP policies and programs are fully and consistently implemented by each service; however, considering DOD's checkered history with respect to deployment health-related matters, The American Legion remains skeptical of its commitment. Continued noncompliance with required FHP policies will result in personnel deploying with health problems and or encountering delays and other problems in obtaining health care and VA benefits when service members return, not unlike problems experienced by the veterans of the first Gulf War. In order to avoid the problems of the past, DOD must make FHP a real priority and dedicate the resources necessary to ensure each service branch is in full compliance with all policies and directives.

Although military personnel participating in Operations Iraq Freedom and Enduring Freedom have not been exposed to chemical munitions fallout like their counterparts in Operation Desert Storm, some of the experiences have been similar. Once again, U.S. military forces have used

Depleted Uranium (DU) munitions. While exposure to DU fallout during Operation Desert Storm has not been definitively linked to Gulf War veterans' illnesses, it has not been definitively ruled out as a possible cause. The American Legion supports DOD's DU awareness training program. Avoiding DU fallout on the battlefield may be impossible, but informing troops about potential health hazards and instructing them to avoid unnecessary risks, such as entering an enemy vehicle destroyed by DU munitions, can help minimize potential health risk. It is vital that DOD conduct proper oversight to ensure that its DU education programs are being properly implemented by all of the military services.

The controversial anthrax vaccine continues to be an important part of the military's FHP program. The American Legion agrees with DOD's position to adequately protect military personnel against the threat of biological weapons attack, such as anthrax or smallpox. However, serious concerns with past problems associated with BioPort, the sole manufacturer of the vaccine, and the way adverse reactions are tracked and followed up by DOD, continue to worry The American Legion. Problems with BioPort's manufacturing facility caused a shortage of FDA approved vaccine, resulting in a slowdown of DOD's Anthrax Vaccine Immunization Program (AVIP). It has been two years since BioPort reestablished FDA approval. There continues to be a vaccine shortage resulting in only those service members on the ground in Southwest Asia for 15 days or more being vaccinated. The American Legion has long advocated a second manufacturer of the vaccine, as well as a newer vaccine, proven for efficacy and safety, and an inoculation period shorter than the current six shots.

The anthrax vaccine controversy has existed since the first Gulf War. Based on DOD's experience in tracking anthrax vaccinations, The American Legion is concerned. DOD claims, only 150,000 troops actually received the anthrax vaccine. Because of extremely poor record keeping, it can only verify vaccinations for less than 10,000. A similar controversy is emerging regarding the use of the anti-malaria drug Lariam. Several recent stories in the media about military personnel experiencing severe side effects, including depression and other psychological symptoms, after being prescribed Lariam. The military is obligated to follow strict protocol when administering Lariam, including counseling and documenting the drug in the service member's health record, service members have complained that such procedures have not been followed.

Lariam is only one of several anti-malarial drugs currently being used by the military; it is vital that its distribution is thoroughly documented to properly address and track side effects that may occur. If a service member suffers a chronic disability as a result of taking Lariam, but there is no documentation in the health record, proving service-connection becomes more difficult. This is especially true if the disability does not manifest, or was not identified, while the member was on active duty.

Due to the duration and extent of sustained combat in Operations Iraqi Freedom and Enduring Freedom, the psychological impact on deployed personnel is of utmost concern to The American Legion. The military has counseling available for those having difficulty coping with the aftermath of combat and other traumatic events. DOD needs to actively encourage troops to take advantage of such services. Counseling programs are useless unless service members feel that they can use them without adverse consequences to themselves and their careers. It is crucial for



commanders to publicly inform their troops that treatment and counseling for stress and psychological problems are okay and no adverse action will be taken against any individual seeking that care. Post Traumatic Stress Disorder (PTSD) often-manifest months or years after an individual has been removed from a traumatic event. There should be periodic follow up psychiatric evaluations for the active duty military and reservists upon return. The military should encourage treatment and counseling for those returning home. This is especially important for Reserve and National Guard personnel who are often quickly demobilized after returning from a deployment and do not have the same support system that is available to their active duty counterparts.

Military service is inherently dangerous and certain risks are to be expected. The American Legion believes the Federal government is obligated to provide health care and compensation to those who sustain chronic disabilities as a result of such service. Title 38, United States Code places the burden of proof in establishing a service-connected disability on the veteran and establishing service connection directly impacts the veteran's ability to access VA health care. VA's ability to adequately care for and compensate our nation's veterans depends directly on DOD's efforts to maintain proper health records/health surveillance, documentation of troop locations, environmental hazard exposure data, and the timely sharing of this information with VA.

The American Legion remains appalled at the numbers of Guardsmen and Reservists who were called to active duty and not deployable due to existing medical and dental conditions. Unquestionably, many Guardsmen and Reservists are included in that group of 40 million or more Americans who have no, or limited, medical coverage. Certainly, fault lies not only with Reserve Component commanders, but also active duty commanders for knowingly calling medically unready and non-deployable Reservists to active duty status.

For these reasons, The American Legion is strongly supportive of the Guard and Reserve Readiness and Retention Act of 2004, which would make all Guard and Reserve members and their families eligible for health coverage through TRICARE regardless of their mobilization status. Beneficiaries would pay a modest annual premium. This change would, we believe, improve individual and unit readiness and eliminate the need for Reservists and their families to change health care providers when mobilized. There should be a seamless transition from reserve status to active status and a seamless transition from DOD to VA. Also, during periods of mobilization, Reservists who opt to maintain private health care coverage, rather than TRICARE, would receive assistance in paying their health insurance premiums. This health care legislation would help with medical readiness for mobilization and pre-deployment, but it could also provide their post-deployment and post-deactivation health and dental care.

The American Legion strongly urges that Congress mandate separation physical exams for all service members, particularly those that have served in combat zones or have had sustained deployments. The American Legion believes this is essential because of oftentimes-inadequate medical record keeping and to ease accessing VA healthcare and applying for disability compensation and other veterans programs. DOD reports that only about 20 percent of discharging service members opt to have separation physical exams. Clearly, The American Legion believes separation physicals should not be optional. The American Legion understands

many of the reasons to opt out of a separation physical, but there is ample evidence to prove the importance these physicals or lack thereof plays in the VA claims process. Knowing the final health status of separating service members is also in the best interest of public health. During this war on terrorism and frequent deployments, with all their strains and stresses, this figure, we believe, should be substantially increased.

The American Legion strongly recommends that field hearings be conducted throughout the country to hear first hand accounts from those who served, including active, guard, reserve and family members to determine how FHP is working. Further, these hearings should not be held near large military installations.

Mr. Chairman, The American Legion thanks you again for the opportunity to discuss these important health care issues for the total force.





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**DOCUMENTS SUBMITTED FOR THE RECORD**

FEBRUARY 25, 2004

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**Statement of**  
**Reserve Officers Association of the United States**

for the

**Total Force Subcommittee**

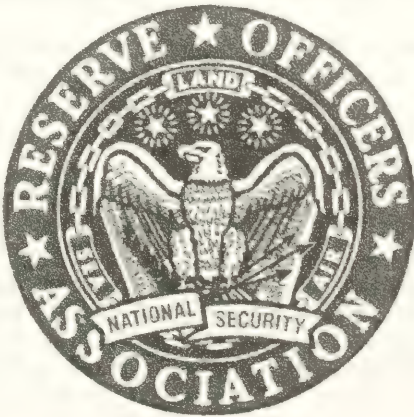
**Armed Services Committee**

**United States House of Representatives**

concerning the

**Pre- and Post- Deployment Health Care of RC members**

February 25, 2004



Reserve Officers Association  
1 Constitution Avenue, N.E.  
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## RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

The Reserve Officers Association of the United States (ROA) is a professional association of commissioned officers of our nation's seven uniformed services. ROA was founded in 1922 during the difficult years following the end of World War I. The founders of the ROA believed America was vulnerable to return to its pre-war unpreparedness. When chartered by Congress in 1950, the act established the objective of ROA: "...support and promote the development and execution of a military policy for the United States that will provide adequate National Security. The mission of ROA is to advocate strong Reserve Components and national security, and to support Reserve officers in their military and civilian lives

Our 75,000 members include Reserve and Guard soldiers, sailors, marines, airmen and coast guardsmen who frequently serve on active duty, voluntarily or involuntarily, to meet critical needs of the uniformed services. ROA's membership includes the U.S. Public Health Service and the National Oceanic Atmospheric Administration Corps. ROA is represented in each state with 55 departments plus departments in Latin America, the District of Columbia, Europe, the Far East and Puerto Rico. Each department has several chapters throughout the state and is further divided into regional chapters. There are more than 550 chapters worldwide.

The business of the Association is handled through its national headquarters, maintained in the Minute Man Memorial Building in Washington, D.C. This building is dedicated to the citizen patriots from each of the uniformed services who have given their lives for their country, and to those who are currently ready to serve.

### DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS.

The Reserve Officers Association is a private, member-supported, congressionally chartered organization. Neither ROA nor its staff currently receive, or have not received grants (and/or sub-grants) or contracts (and/or subcontracts) from the federal government for the past three fiscal years. The Reserve Officers Association has accepted federal money solely for Reserve recruiting advertisement in our monthly magazine. All other activities and services of the Association's are accomplished free of any direct federal funding.

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## **Introduction**

The War on Terror is being described as multi-generational by the leadership in the Pentagon. It will be a protracted engagement which overwhelms the resources of the Active Services. To compliment the Active duty forces, the Guard and Reserve (G-R) have accepted the task of warrior on several fronts. Thirty seven percent of our Guard and Reserve Forces have already been called up to do battle.

Pre- and post- mobilization health care is being spotlighted with each wave of deployment. ROA thanks the total force subcommittee for the chance to present testimony on behalf of the 1.2 million Ready Reservists most affected by medical readiness. Further we would like to thank each member of this committee for working with DoD and the associations to improve mobilization coverage by lengthening the span of coverage for up to 90 days prior to mobilization and 180 days following demobilization, improving mobilization coverage. .

We acknowledge the support that your committee has been provides to the young men and women who are deployed overseas, and stationed at home. We also believe that comprehensive care of the dependents of these young warriors allow the members of our armed services to better concentrate on their jobs.

Health care readiness is the number one problem in mobilizing Reservists. Most Reserve Component (RC) members shoulder the cost of their personal medical readiness. Because of the high cost of medical care, many G-R members do not carry healthcare coverage. The governments own studies show that between 20-25 percent of Guardsmen and Reservists are uninsured.

With a growing percentage of Reserve Component members being recalled to multiple deployments, post-deployment health care is becoming as important as pre-deployment readiness.

### **MOBILIZATION READINESS**

While Active Duty members serve 24/7; G-R members are on call 24/7; and thus are expected to meet the same physical and medical standards as their active duty complements. G-R access to Military Treatment Facilities (MTF) and Fitness Centers is restricted. While physicals and dental exams are given during weekend drills, remedies to problems must be sought in the civilian sector by RC service members, by themselves. With the Pentagon placing more emphasis on rapid deployment, more readiness requirements will be shifted from pre-deployment to mobilization readiness, increasing the G-R members' burden.

**Dental readiness.** Reserve Component members are required on their own, to maintain a certain level of dental readiness, classification T-2, to be ready for mobilization. Classification T-2 dental readiness means no emergency dental work is required for at least six months.

The Naval Reserve gives an annual examination. If a Reservist is graded as less than a T-2 classification and corrections aren't made by the individual, they may be found to be physically non-qualified and could be removed from a pay status.

The Air Force Reserve is like the USNR in that it requires a yearly exam and if the Reservist doesn't meet these requirements he or she can lose drill time.

The Marine Corps Reserve gives an annual exam, and when they mobilize they get a complete screening.

The Army Reserve doesn't give dental exams. A Reservist's teeth are counted during the five year exam. In the past, panoramic full mouth x-rays have been given, for post-mortem identity purposes.

The Army National Guard is on a five year medical and dental schedule similar to the Army Reserve.

Currently, DoD offers a voluntary TRICARE dental program to G-R members and their families to enable dental readiness. This contract provider is United Concordia and is similar to most civilian programs. The program provides diagnostic and preventive care for a monthly premium, and other services including restorative, endodontic, periodontic and oral surgery services on a cost-share basis.

A monthly enrollment charge is shared 60 percent by the government and 40 percent by G-R member, approximately \$8.14 per month. This is the same cost provided Active Duty family members, as AC members are provided dental coverage at MTFs. G-R members pay 100% of the premiums for family members. Restorative care costs are 20 to 50 percent with an annual maximum payout cap for services of \$1,200 per enrollee per year.

### **Physical readiness.**

The Air Force Reserve requires a full physical examination every five years, with a modified physical exam annually. A physical fitness exam and measurement is run once a year. Body fitness is measured by tape, and physical fitness is measured against a series of exercise and a mile and a half run. If the Reservist doesn't take the physical or fails to meet physical standards they are given a period of time to comply. Failure of either can place the Reservist in a no pay/no drill status.

The Air National Guard has the same physical readiness standards as the Air Force Reserve.

The Marine Corps Reserve gives a physical examination every five years with an annual medical screening update. Above age 50, a physical exam is required every two years. A physical fitness exam and measurement is run every six months. The individual's weight



is measured against a standard, and if outside this standard, a body fat measurement is taken. Physical fitness is measured by performance against a series of exercises, and a three mile timed run.

The Naval Reserve gives a physical examination every five years with an annual medical certification. Above age 50, a physical exam is required every other year; above age 60 every year. A physical fitness exam and measurement is run every six months. The individual's weight is measured against a standard, and if outside this standard, a body fat measurement is taken. Physical Fitness is measured by performance against four exercises: stretch, sit-ups, push-ups, and a mile and a half timed run. One hour of Physical Training is permitted as part of the training schedule per month. "Inability to comply with body fat standards and Physical Readiness Test (PRT) requirements not only negatively affect an individual's health, but are conditions for likely removal from active Reserve service." COMNAVRESFOR INSTRUCTION 6110.2A

The Army Reserve requires a complete physical examination every five years. In addition, a physical fitness test is conducted every six months. Individual performance is measured against three exercises: sit-ups, push-ups, and a two mile timed run. Alternative exams are provided for certain individuals with physical conditions (profiles) that prohibit the standard exam. Two consecutive failures result in administrative separation. Weight control outside the mandatory standards requires a measurement of body fat as an additional way to measure to standard. Failure to meet appropriate standards within a one year period is grounds for administrative separation.

Pilots from all service comply with active duty standards and receive annual examinations.

**DoD does not sponsor any healthcare program.** Medical coverage is provided by the individual Reservist, themselves. Active Duty members do not pay for medical treatment, Reserve Component members must subsidize their own to maintain standards. This is not parity.

**Position: ROA urges Congress to explore means to expand health care coverage to G-R members.**

Section 702 of the FY04 National Defense Authorization Act authorized expanded TRICARE coverage for unemployed and uninsured RC members. At the time of publication of this testimony, the TRICARE coverage was not implemented, and the deadline for its end is 31 December 2004.

**Position: If not made permanent, TRICARE for Reservists should be viewed as a demonstration project, and the program deadline should be extended to properly test the program participation and cost.**

## **Inoculations**

To keep G-R members ready for mobilization, inoculations should be updated annually. Anthrax, smallpox and other vaccines have a risk of side affects. Members can be impacted several days or weeks after inoculation.

**Position:** ROA would like Reserve Component members to have access to Military Treatment Facilities or compensation for civilian health care if complications occur following inoculations received on drill weekends. Should serious complications arise, the member should be placed on active duty for the duration of the treatment

## **PRE-DEPLOYMENT READINESS.**

Within a Cold War scenario, war planners felt they had one to three months to prepare G-R personnel for deployment. Several months have been reduced to several weeks, if not days. During the initial mobilization for Operation Iraqi Freedom, the average time from alert to mobilization was less than 14 days, insufficient to address deployment dental standards. In some cases, units were mobilized before receiving their alert orders. This lack of notice for mobilization continues, with many reservists getting only days notice before call-up.

Thankfully, Congress responded by passing legislation that allows DoD to provide medical and dental screening for G-R members who are assigned to a unit that has been alerted for mobilization in support of an operational mission, contingency operation, national emergency, or war. Unfortunately, waiting for an alert to begin screening is too late.

**Dental readiness.** The number one deployment problem is dental readiness.

United Concordia (UCC) has stated that the TRICARE Dental coverage is insufficient to correct a RC member that is classified as T-3 dental readiness to a T-2 classification, without exceeding the annual payout limitation of \$1200.

National Guard Bureau has advised that mobilization stations were not equipped or staffed to handle the influx of G-R members to handle filings or capping of teeth.

It should also be acknowledged that G-R soldiers opted to have teeth pulled because of their dedication to service in order to meet deployment time tables with their units. Although promised restorative dental work, their reward for their loyalty and patriotism will be dentures.

This seems to be an issue of leadership, motivation and education. With regular checkups and preventative care, a RC member's teeth can be maintained at a T-2 classification. As the Guardsman or Reservist ages, and early fillings need to be replaced or capped, restorative care expenses may surpass insurance payment maximums, causing

the RC member to either subsidize their dental readiness or drop to a T-3 classification. Because of the costs, some RC leadership is hesitant to direct their subordinate to take the TRICARE Dental or seek corrective treatment. Currently, only five percent of eligible members are enrolled.

**Medical readiness.** Pre-deployment medical screening were being done at mobilization sites. A large number of Guard and Reserve personnel are overwhelming an administrative location, causing the medical personnel to give quick, rather than through examinations. Despite this, a number of non-physically qualified (NPQ) have been screened out. Unfortunately, small groups of NPQ have been deployed, and their ailments weren't caught until in the area of responsibility.

In addition, often time's examinations are repeated from station to station. This duplication adds to the costs. Pre-mobilization screening has become an assembly line of quick fixes.

A physical examination should be as far ahead as possible, and at the earliest stage in the screening process. Why waste tax payers' dollars to deploy folks who are not medically ready. We should invest few travel dollars before we discover physical problems.

Physical screening checkup should be done annually with blood and urine samples for conditions that could affect a G-R member's ability to mobilize. A more extensive physical with screening for heart, lung or cancer problems could be given every third year. Testing costs have come down.

Dental and Medical professionals are part of the RC cadre. Examination, preventative, and restorative care are as much training for these professionals, as it would be readiness to the G-R member. Medical readiness should not require an alert, but be part of the 24/7 mobilization ready mentality.

**Position:** Congress should expand medical and dental screening to include all units or individual subject to mobilization, and permit treatment by G-R medical professionals that allows the individual G-R member to meet deployment standards.

#### **Physical Baseline:**

Between biological and chemical adversarial threats, and exposure to friendly chemicals used as insecticides or in maintenance or cleaning, service members are exposed to potent chemical cocktails that could negatively impact their health. A baseline is needed to be able to measure changes in a service member's health.

**Position:** At a minimum, a blood sample needs to be taken to help provide a baseline for chemical exposure.



**Prescriptions.**

Mobilization policy requires a Reservist to bring a 90-day supply of a prescription. Many civilian healthcare plans will only pay for a 30-day supply, causing the member to pay out of pocket for the additional 60-days.

**Position: TRICARE standard should refill an existing prescription for mobilized Guardsmen and Reservists.**

**POST-DEPLOYMENT READINESS**

Guard and Reserve face problems when returning from deployment. Too frequently, they are given a choice of a medical screening questionnaire versus a physical examination. The backlog for exams is a deterrent as it adds weeks to the scheduled return home. Physical problems that might have been acquired in the line of duty often aren't identified before demobilization.

If problems arise, complications can occur in identifying the line of duty connection. In addition, G-R members have found themselves unemployable, and paying for healthcare treatment out-of-pocket as the military service does a medical review.

Without the service accepting responsibility for physical problems, there is often a dispute over responsibility for treatment with the service suggesting the G-R member go to a VA hospital for treatment instead.

Healthy G-R members can also be penalized in post-deployment.

**Dental Readiness:** When deployed overseas, dental hygiene and dental diagnostic and preventative care is difficult to maintain. To offset this, DoD policy has been to provide an examination screening and repair for deployed military members returning the individual to a classification T-2 dental status. If post-deployment Reserve Component members are not provided with these exams, corrective coverage is only allowed at a Military Treatment Facility for 30 days in a space available status after deactivation. The RC members have a lower priority than Active Duty family members, who historically have difficulty getting dental treatment themselves.

This policy is inadequate. As stated earlier, TRICARE Dental is inadequate to cover restorative repair costs from a T-3 classification to a T-2 status. This forces the G-R member to pay out-of-pocket expenses to become mobilization ready.

**Position: ROA feels is that it is incumbent upon DoD to return post-deployment RC members to a classification T-2 dental readiness status. If MTF access is not available, then TRICARE Dental coverage should be subsidized by DoD for a period of 180 days to permit repairs.**

**Medical Readiness:** ROA is thankful that Congress included Section 704 in FY-04 NDAA, Temporary Extension of Transitional Healthcare Benefits, which changed the period of transitional health care benefit to 180 days for those G-R members discharged after November 6<sup>th</sup>. Unfortunately, this benefit is yet in place with G-R members being advised by the TRICARE Management Agency (TMA) to save their receipts for medical services and prescriptions.

### A COMMITMENT TO GUARD AND RESERVE HEALTH CARE

In 1997 Congress directed a study and report on ways of improving Reserve component health care and force health protection in Section 746 of the National Defense Authorization Act (NDAA) for Fiscal Year 1997. At the end of a three-year effort the study, "Means of Improving the Provision of Uniform and Consistent Medical and Dental Care to Members of the Reserve Component" was sent to Congress with 14 recommendations. The study found, "To function in this more demanding, post-Cold War environment, National Guard and Reserve members must meet the same standards for physical condition and readiness as their Active counterparts.

ROA believes the military standards for physical condition creates a contract between both the Department of Defense and the military member. When a person joins the military, it is impressed upon them the requirement to maintain physical fitness and not to recklessly endanger their physical well-being. Physical fitness standards are a screening factor on job performance and promotion. Reckless endangerment of physical well-being is viewed as a violation on the Military Code of Justice. In exchange for this understanding the Armed Services provide fitness centers and Morale Welfare and Recreation (MWR) facilities for its active duty members to help them fulfill these standards.

The military person also understands the Department of Defense wants the military person to maintain a certain level of health and so they provide a medical program administered under TRICARE that ensures their standards are met.

Unfortunately, TRICARE is only extended to Active Duty and not Guardsmen and Reservists, even though G-R personnel are required to meet and maintain the same physical and health standards. The Reservists are expected to pay for their own health club and medical coverage while in civilian status.

Health insurance coverage varies widely for members of the G-R: some have coverage through private employers, others through the Federal government, and still others have no coverage. Reserve families with employer-based health insurance must, to maintain physician continuity, pick up the full cost of premiums during an extended activation.

Although TRICARE Standard eligibility starts immediately upon receipt of notice of pending 30+ day orders, many G-R families would prefer continued access to their own health insurance rather than being forced to find a new provider who accepts TRICARE. In other cases, disruption (and in some cases cancellation) of private sector coverage as a

consequence of extended activation under TRICARE adversely affects family morale and military readiness, and discourages some from reenlisting.

**One major factor for this state of medical unreadiness is that the financial burden of medical care is placed on the back of Reservists themselves. While Active Duty members are treated at military treatment facilities, Guardsmen and Reservists must invest their own money on health programs. While an Active retiree may pay \$460 per year for family TRICARE Prime, a reservist may be paying as much if not more per month for personal insurance.**

### **CONTINUITY OF MEDICAL COVERAGE:**

As this conflict is expected to be long term, and Reserve Component (RC) members are expected to be "called-up" multiple times, the importance of a continuity of health care becomes increasingly important and should be emphasized, as it will impact both the individual RC member and his/her family. If a warrior is worrying about his or her family while in the field, the costs to the U.S. Military will be more than just healthcare coverage. Timely access to health care during this national crisis for family members of activated Reservists and members of the National Guard is a must.

#### **Two Suggestions: Access to TRICARE on a cost-share basis, or premium cost-share for civilian health plans upon activation.**

Option 1: Expanded TRICARE access. Drilling G-R service members would pay an annual cost-share premium for TRICARE coverage. With activation of 30 or more days, and the government would assume all of the cost as it would for Active duty members. Coverage could be for the G-R member alone or, with a higher premium, family coverage.

The TRICARE access option is consistent with the DoD's "seamless, integrated total force policy," as it would open TRICARE to G-R families and eliminates a "structural barrier" inhibiting true integration of the total force. TRICARE access also would support transitional health care coverage before and after extended activation and is likely to have a positive impact on service member and family medical readiness as well as retention.

Inclusion of Guardsmen and Reservists in TRICARE will have a return in recruiting and retention numbers. Families would better support a career in the Reserve Component if Healthcare was provided as a benefit; a spouse would make the reservist think twice about losing this benefit before quitting the Guard or Reserve.

Costs: a recent GAO report (GAO-02-829, Defense Health Care, Sept. 2002 hereafter, GAO Rpt) estimated that DoD's cost would be \$7 billion over 5 years if reservists paid a premium similar to that paid by active duty retirees under age 65 (TRICARE Prime).



**Option Two: Payment of Premiums for Employer or Personal Health Insurance.** Guard and Reserve family members are eligible for TRICARE if the member's orders to active duty are for more than thirty days; but some families would prefer to preserve the continuity of their own health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting. Many Guard and Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE patients.

Following activation, DoD could contribute a premium payment that is not to exceed its TRICARE contribution. Payments could be direct deposit to the employer or employer's health care insurer. The G-R member's family would be able to continue with the employer health insurance without disruption, and the administering by DoD would be simply to cut a check.

Healthcare is a key benefit. ROA surveyed the Fortune 500 employers, and found that if any benefit was provided it is healthcare continuation first. This shows how important it is. If our patriotic employers recognize this, so should DoD.

**Position: ROA urges Congress to permanently establish the current TRICARE program for Selected Reserve on a cost share basis.**

## CONCLUSION

The Pentagon is transforming the roles of the Guardsmen and Reservists. They see a future where a Reservist may be called upon to serve the needs of a Service component. They want to make it easier to bring a Reservist on Active Duty, and later return him or her to Reserve Status.

They are calling this the Continuum of Service.

DoD also seeks a fighting force that is immediate and adaptive. If the call-up for Iraq is reflective, the Pentagon is expecting instant warriors. Under the cold war model a Guardsman or Reservist might have 45 to 90 days before call-up, for Iraq some have been called in hours rather than months.

This has caused medical readiness problems. Medical and dental standards that are tolerated for a drilling reservist are not acceptable to pass the pre-mobilization screening of the Active Duty.

**If DoD wants a Continuum of Service, they should be willing to create a Continuity of Health care for Guardsmen and Reservists in exchange.**



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**QUESTIONS AND ANSWERS SUBMITTED FOR THE  
RECORD**

FEBRUARY 25, 2004

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## QUESTIONS SUBMITTED BY MR. MCHUGH

Mr. MCHUGH. What has the VA learned about preventing suicides in veterans returning from combat that may be helpful to prevent suicides in active duty forces?

Dr. LEHMANN. The President's New Freedom Commission on Mental Health cited the U.S. Air Force suicide prevention program as a benchmark approach for addressing this problem in America. This program was a top-down public health program that reached to all levels of the Service. It focused on reduction of the stigma of seeking mental health care, and assistance in managing life stresses through coping skills and counseling from traditional and other trained counselors, such as chaplains. If psychosocial problems such as marital difficulties, financial problems, or legal difficulties can be resolved, many persons who feel trapped by their life situations can be saved from choosing suicide as a solution to what they see as a hopeless existence. Other branches of DoD have similar programs, and these should be reinforced both at home and on deployments to the greatest degree possible.

VA has produced a series of satellite broadcasts on prevention and management of suicidal behavior. In 2000, a program on diagnosis and assessment of suicidal behavior in primary care, geriatric and mental health settings was presented. At that time, we distributed to VA clinicians over 10,000 pocket cards identifying risk factors and responses from health care providers. Risk factors can include mental disorders such as mood disorders, schizophrenia, PTSD and substance use disorders, history of impulsivity, financial problems and social isolation. In 2001, a companion program was produced on treatment approaches citing the efficacy of cognitive behavior therapy for depression and medications for depression and bipolar disorders. The importance of protective factors such as availability of effective clinical care, family and community support, and teaching coping skills cannot be over emphasized. In collaboration with DoD, VA has created Clinical Practice Guidelines on diagnosis and treatment of Major Depression, Substance Use Disorders, and PTSD, that describe evidence-based practices for management of these disorders, which are frequently associated with suicidal behaviors.

VA's orientation towards the treatment of mental disorders is one of rehabilitation and recovery for our patients. This requires identifying patients' strengths as well as their deficits, strengthening the former while minimizing the latter, to optimize their functioning and contribution to the community. We achieve these goals through the practice of evidence-based approaches to psychotherapy and psychosocial rehabilitation (including work therapies), and by providing state of the art pharmacotherapy.

Our next suicide prevention satellite broadcast, scheduled for late August 2004, will focus on VA—community linkages to provide stronger support networks for veterans and their families including returnees from Operation Enduring Freedom and Operation Iraqi Freedom. We are exploring ways to broadcast this program to our DoD colleagues. It should be noted that all of the educational materials cited above (e.g. pocket cards, broadcast tapes, and the Clinical Practice Guidelines) were either created collaboratively with DoD or can be made available to DoD.

In summary, the most important lessons learned are:

(1) Every effort should be made to identify and correct psychosocial problems as soon as possible, before they deteriorate into highly difficult situations for which a distressed person sees no way to cope and so considers suicide.

(2) Every effort should be made to de-stigmatize acknowledging that mental or emotional problems do exist and to encourage individuals to receive counseling or other assistance to help resolve these problems.

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## QUESTIONS SUBMITTED BY DR. SNYDER

Dr. SNYDER. If I take the 90 percent, 10 percent of the 300,000, that means 30,000 of relatively young people that you think are the cream of our country are saying that their health is average or poor. Now that is a fair number of people, 30,000. Is that an accurate interpretation of the statistic you gave?

Dr. WINKENWERDER. Between January 1, 2003 and April 12, 2004, there have been more than 400,000 post-deployment health assessments completed by Service members returning from overseas deployments.

For active duty Service members, the proportion who reported their health as excellent, very good, or good was 93%. The remainder, 7%, reported their health as fair or poor. The proportion of active duty personnel who were referred for further medical evaluation was 17%.

For Reserve component Service members, the proportion who reported their health as excellent, very good, or good was 91%. The remainder, 9% reported their health as fair or poor. The proportion of reserve personnel who were referred for further medical evaluation was 23%.

The substantial percentage of Service members getting referrals indicates that health care providers are taking steps to ensure that redeploying personnel are getting needed health care.

**FISCAL YEAR 2005 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON MILITARY RESALE AND MORALE, RECREATION AND WELFARE PROGRAMS**

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
TOTAL FORCE SUBCOMMITTEE,  
*Washington, DC, Wednesday, March 3, 2004.*

The subcommittee met, pursuant to call, at 2:40 p.m., in room 2118, Rayburn House Office Building, Hon. John M. McHugh (chairman of the subcommittee) presiding.

**OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE**

Mr. MCHUGH. The hearing will come to order. Let me first of all apologize, not that I had any control over it, but nevertheless I regret the delay of in excess of 40 minutes of the start of this hearing; but as I hope everyone understands, as powerful as all of us may be on this subcommittee, we don't have the power—or as powerful as we would like to think we are, we don't have the power to schedule floor votes. And we had four beginning just before 2 o'clock. So we appreciate your patience.

And let me note that as a subcommittee, we are honored to turn our attention today to a series of issues that certainly are of great importance to the members of the service and their families, and that is the military resale programs as well as the morale, welfare and recreation, or MWR activities.

Like many members of the House, and certainly many members of both the full committee and the Total Force Subcommittee, I have had the opportunity to travel now twice to Iraq. I returned from Afghanistan just last week, and I can confirm that these programs play a critical role in relieving the stress and providing that touch of home that is so important to the troops who are on the front lines of the war on terrorism.

Perhaps even more important to the individual warrior than his or her personal welfare is the need for a level of comfort that the family members they leave behind are secure, and a quality environment at home, and this is the real measure of the value of the benefit and type of war. And I would submit that few factors contribute more to readiness in combat capability than that which can relieve the stress that service members feel and the concerns they have about the welfare of their families.



It is part of the military ethos to create a community that service members turn to for support; and commissaries, exchanges, and MWR activities are critical elements of that military culture.

That same culture has produced the wonderful armed forces that continue to fight with courage and skill in places like Iraq, Afghanistan, and in other trouble spots around the world, and the connection between these pillars of the military community and our stunning battlefield victories is very clear, in my mind certainly.

Effective family-oriented MWR programs equal military readiness. However, I am increasingly concerned that some people, particularly in the Department of Defense, do not view the commissaries, exchanges, and MWR programs in the way that I do. There is some evidence that these programs are now seen as a drain on the budget and perhaps not worth their overall cost.

And let me for my own perspective be clear. I believe that these programs are worth every penny that we invest in them. These are powerful readiness tools. They are a powerful readiness means by which we ensure that our troops are able and willing and comfortable in going abroad to do our bidding, and they are, as well, generators and retention tools that reach into every military home. And I intend, again for my personal perspective, to resist any effort to seek so-called budget savings in these programs where the result is the reduction of service or benefits.

That having been said, it is unquestionably the responsibility of all managers of these organizations and these activities to be more efficient and more effective, and we support those initiatives as well; but such improvements must not be at the expense of service members and their families.

And I am looking forward to the exchange of dialogue and the testimony of our two panels here today, and I welcome them and thank them for being here.

Before I introduce our witnesses, let me offer first an opportunity for my partner—our partner on this subcommittee in this effort, a leader in these activities, the ranking member of the full committee, the gentleman from Arkansas Dr. Snyder. Vic.

[The prepared statement of Mr. McHugh can be found in the Appendix on page 283.]

**STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, RANKING MEMBER, TOTAL FORCE SUBCOMMITTEE**

Dr. SNYDER. Thank you, Mr. Chairman, and I will be brief. I have a written statement that I would like to have inserted into the record at this time.

Mr. MCHUGH. Without objection, so ordered.

Dr. SNYDER. With your indulgence. But I appreciate you all being here. I concur with Mr. McHugh's comments, and I think these programs are so important, both here and overseas, and that we need to be sure they are as strong as they can be. And I know you all are headed to doing that and we look forward to working with you on them this year.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Snyder can be found in the Appendix on page 288.]

Mr. MCHUGH. I thank the gentleman.

As I noted, we have two panels today. Our first is comprised of very distinguished individuals, most of whom, in fact all of whom, are no stranger to this subcommittee. And let me introduce them. First is the Honorable Charles S. Abell, Principal Deputy Under Secretary of Defense for Personnel and Readiness. Mr. Secretary, thank you for being here.

Next, Major General Kathryn G. Frost, Commander, Army and Air Force Exchange Service. General.

Rear Admiral William J. Maguire, Commander of Navy Exchange Service Command. Admiral, thank you for being here.

Major General Mike Wiedemer, Director of the Defense Commissary Agency.

And Michael P. Downs, Director of Personnel and Family Readiness Division.

I should also mention that this will be the last opportunity for a gentleman who has been with us on previous occasions, Admiral Maguire, to testify before the subcommittee. In spite of his young appearance—and not just appearance, I trust his very young age—the admiral will be retiring shortly. And I certainly want to extend the gratitude of this subcommittee, the full committee and all the American people and, most of all, the men and women of your service for what you have done for them. And we wish you every best for the future, for you and your family. And thank you for your service, sir.

And with that, let me yield to the first gentleman whom I introduced, no stranger of this subcommittee in his current capacity, but to Capitol Hill in general from his past service, Secretary Abell. Charlie, thanks for being here, and your attention is yours, sir.

#### **STATEMENT OF HON. CHARLES S. ABELL, PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE, PERSONNEL AND READINESS**

Secretary ABELL. Thank you, Mr. Chairman. I appreciate the opportunity to testify today on the Commissary, Exchange and Morale, Welfare, and Recreation programs. I also want to thank the Readiness Subcommittee for your advocacy and support for these important benefits and programs.

To begin with, Mr. Chairman, I, like you, want to commend the brave men and women in uniform who are defending our Nation at home and abroad and the Department of Defense civilians and contractors who support them.

While you were in Afghanistan last week, I was in Iraq, Kuwait, and Bahrain where I found great soldiers, sailors, airmen, Marines and Coast Guardsmen performing their duties with professionalism and enthusiasm.

I was heartened to see the selfless activity throughout the theater as units are preparing to turn over to replacement units. Everywhere we went, units were working hard to leave the bases and facilities better than they were when they arrived. They knew well that they would not benefit from this hard work, but they are determined to make the quality of life for those that follow them better than that that they experienced.

Selfless service, Mr. Chairman, working for the welfare of others. That is why I love the members of our armed services. They make me proud every day. I saw them on watch, on patrol, and I also saw them enjoying the bustling exchange outlets and the many MWR facilities over there.

Over the past year I visited many installations from which our troops are deployed. Guard and reserve members mobilize, and families anxiously await. In every location I found commissary, exchange, and MWR activities, along with other community support programs, are responding to the special needs that accompany the Global War on Terrorism. There have been and will continue to be challenges met to support the front lines on the homefront. At the same time, the programs are positioning the change with transformation, the global posture review, and, of course, Base Realignment and Closure (BRAC) 2005.

I am confident that the resale and MWR leadership are up to the task.

Mr. Chairman, the Department is committed to the commissary and exchange benefits as core elements of nonpay compensation. The Department is equally committed to the MWR programs, including child care and fitness programs, that form the military community support structure and contribute to mission readiness.

The resale benefits and MWR programs are crucial to the quality of life of our military members and military families. Further, we recognize that many retirees rely on the resale programs as they work within their limited incomes. We want to thank you for your support to provide emergency supplemental funds for family assistance and morale programs during this time of war.

Dr. Chu and I are working with the military department senior military and civilian leadership to monitor the resale and MWR operations as we consider ways to guarantee the continued viability of these programs into the future. We are trying to answer tough questions which must be discussed openly and deliberated carefully. We are concerned about defining realistic resale benefits and MWR programs. We are concerned about maintaining a suitable balance between taxpayer and customer contributions to the commissary, exchange, and MWR programs.

We are also concerned about our capability to sustain strong capital investment programs, sales growth, exchange profits and MWR dividends. We are concerned that the continued viability of MWR programs depends on a predictable stream of nonappropriated fund revenues, appropriated fund support, and exchange dividends.

There are some who would rather we had not asked these questions, but we feel compelled to do so. These are complex issues. They touch on compensation, social, organizational and business disciplines. We don't pretend to have all the answers, but we are seeking the best advice available from academia, industry and other government entities. We seek your support of the review process. We will keep you advised of our progress, and we understand that many of these matters will require your approval before implementation.

Mr. Chairman, I appreciate your support and that of this committee and I am prepared to answer any questions that you may have.



Mr. McHUGH. Thank you very much, Mr. Secretary.

[The prepared statement of Secretary Abell can be found in the Appendix on page 291.]

Mr. McHUGH. Next, as I have said about all of these witnesses, no stranger to this subcommittee, someone who has worked with us very closely to maximize the benefits to our men and women in uniform, Major General Kathryn Frost, who is, as I noted, Commander of the Army and Air Force Exchange Service (AAFES). General, good to see you again. We look forward to your testimony.

**STATEMENT OF MAJ. GEN. KATHRYN G. FROST, U.S. ARMY,  
COMMANDER, ARMY AND AIR FORCE EXCHANGE SERVICE  
COMMAND**

General FROST. Thanks, Mr. Chairman, and I am really proud to have the chance to testify before you once again to tell what I believe is a wonderful AAFES story.

I have submitted written testimony, and if you would accept that for the record, I would like to summarize.

When I testified last year, American troops were fighting their way to Baghdad. Seven days later, even before Baghdad fell, AAFES had a Post Exchange (PX) in Iraq. AAFES civilians, long committed to serving soldiers and airmen around the world, had followed the advance to take a little bit of home to war-weary troops. Within 3 months AAFES operated 12 stores in Iraq and had even opened a Burger King at Baghdad International Airport.

Today AAFES operates stores at 32 different locations in Iraq, and we support some unit-run stores in small, remote locations. And I am proud to say that all of those stores sell U.S. merchandise at state-side prices.

We also operate now 3 Burger Kings, 2 Pizza Huts, 21 telephone call centers and a variety of other services like barbershops for our troops, and there are many more of those on the way.

It has taken a miracle of logistics to make all of this happen. Stores in Iraq are supported by an unbelievable network, hauling millions of dollars of merchandise by road, rail, and air—supply lines that have all been subject to hostile fire and ambush.

Overshadowing the logistical accomplishment are the magnificent AAFES associates who have volunteered to endure spartan living conditions, extreme heat, a relentless pace, and a daily enemy threat to fulfill our pledge to the troops. We go where you go.

Today there are some 270 AAFES associates in Iraq, another 200 assigned throughout Operation Enduring and Iraqi Freedom theaters, from the Horn of Africa to republics of the former Soviet Union. These associates are more than mere merchants. They are managers like the one who asked the Texas Rangers to send baseball gear to his store in Tikrit so the Fourth Infantry Division (ID) could play baseball on the Fourth of July, or the manager who opened his store long after closing for a platoon traveling through Tajik, needing refreshment for the last leg of a 300-plus-mile convoy in Iraq; or the associate whose bottom teeth were jarred loose by a mortar attack, who is demanding to return to Iraq as soon as she has healed; or the manager who, when asked why she de-



ployed, replied, "Because when I am here, I am the best that I can be."

These are courageous Americans by any measure, willing to put themselves at risk to provide a familiar connection to home for America's sons and daughters in uniform. This is the most important work they will ever do.

Each of these associates also represents a position back home that has gone unfilled during the deployment. Those who have remained behind have also had a challenging year. Not deterred, though, by a weak economy, thousands of customers away from home, or the challenge of providing a business on many fronts, the AAFES team, rallied by our chief operations officer Marilyn Iverson, who is seated behind me, have proved beyond any doubt that when the going gets tough, the tough get going.

We are in the process today of closing our books on our 2003 business year. The information I received this morning is different from what I provided in my written testimony. But right now our revenue will be, for 2003, around \$7.8 billion. That is an 8 percent increase over 2002. And even with the extraordinary cost of operating in a war zone, our earnings will come in at close to \$354 million, \$25 million over last year. And our dividend to the services for MWR is going to be \$238 million. That is a per-capita dividend that is \$27 higher in constant dollars per person than the dividend 10 years ago.

In 2003 AAFES provided quality of life on the battlefield, and our benefit through MWR will continue to sustain quality of life at home station as well. We are celebrating that success, but we recognize the challenges ahead. We continue to work closely with the Unified Exchange Task Force and our sister exchanges on the exchange consolidation directed by the Deputy Secretary of Defense.

We are also working to transform ourselves to face a potential overseas force restationing and base closure actions here at home. We want to work closely with you as well on a way ahead to ensure that soldiers and airmen don't bear the cost of these actions with a reduced MWR dividend.

This subcommittee in one form or another has been with AAFES through good times and bad, and I hope you will share my pride in the retail history that I believe AAFES has made this year: unprecedented support on the battlefield, energetic engagement of families back home, and an incredible bottom line.

Now in our second century of service, I am convinced the exchange benefit has never been more important, and AAFES has never been more relevant. And on behalf of the 48,000 AAFES associates around the world, I am proud to report that our team is more committed than ever to serving the best customers in the world.

Thank you, Mr. Chairman.

Mr. MCHUGH. Thank you very much, General.

[The prepared statement of General Frost can be found in the Appendix on page 336.]

Mr. MCHUGH. Let me note two things. First, for all of the witnesses, we have your statements in their entirety. I should have opened by saying we will, without objection, enter them into the

record in their entirety. We appreciate your effort to try to summarize those as best you can.

Second thing I would like to say to General Frost, we do share your pride. All of the members of this subcommittee are like the members of today's armed services in the United States, volunteers; and they are here, I know from past experience, because they care very deeply about these programs, share your pride and share your commitment. So thank you for that effort.

Next we have the honor of, as I noted earlier, hearing from a gentleman whose appearance here today will likely be his last—if he has any kind of luck, it will be his last—but to whom we owe a great deal as a Nation and appreciation for his service, Rear Admiral William Maguire, Commander, Navy Exchange Service Command.

Admiral, as I said earlier, thank you so much for your service. We wish you all the best in your pending retirement, but for right now we are more interested, frankly, in your active career experiences. And we look forward to your comments, sir.

#### **STATEMENT OF REAR ADM. WILLIAM J. MAGUIRE, U.S. NAVY, COMMANDER, NAVY EXCHANGE SERVICE COMMAND**

Admiral MAGUIRE. Thank you, sir. Mr. Chairman, Secretary Abell, and distinguished members of the total force subcommittee, it is my honor to appear before you today on behalf of the Navy Exchange Service Command (NEXCOM) and its 15,000 dedicated associates. We are laser-focused on our commitment to provide a better quality of life for our sailors, reservists, retirees and their families. It is our mission, it is our passion, and it is our privilege to serve these great Americans.

I am pleased to report with the completion of the 2003 retail year, NESCOM has experienced five years of continuous improvement. Since 1998 we have increased our retail sales by 32 percent and our total sales by 24 percent, surpassing many of our commercial counterparts.

Our exchange operating profit, which measures the performance of our stores, has shown a significant increase of 51 percent. Over the same time period, our customer satisfaction index continued its positive trend with an 11 point increase since we began the survey in 1999.

For our year just completed, sales were up 7.5 percent, store profit up by 16 percent, and we will meet our commitment to MWR.

These improvements directly related to three main drivers: our store renovation program, information technology modernization and, most importantly, a performance-driven, highly motivated team of associates.

More importantly, when we look out over the next five years, we see ourselves only getting better in the areas of sales, net profit and MWR dividend projections.

While our stores, merchandise assortments, and services are continually improving, one thing has remained unchanged: the ability of the Navy Exchange to meet their mission. Last year we provided sailors and their families with average savings of 15.8 percent be-

fore sales tax, while still contributing \$49 million to their Morale, Welfare and Recreation program.

We focus on providing the best value to our customers at the best prices. Over 80 percent of our sales in apparel are for opening to moderate-price point merchandise in both dollars and units.

As part of providing the benefit, we operate many small exchanges at remote, isolated and overseas locations. These stores represent one-third of our total locations and only account for two percent of our total sales and three percent of our net profit, but they are every bit as important as our flagship store in Pearl Harbor, because they take care of our Navy families.

Our capitalization program remains strong with over \$56 million invested last year, and remains a key element to the future growth and viability of the Navy Exchange System. Delivering our mission is not easy. We are constantly balancing our requirements: dividends to MWR, capitalization, providing the benefit at remote and overseas locations, and, most importantly, providing value and savings to our customers. It is a challenge, but one we gladly embrace and aggressively strive to improve.

In working to improve the benefit for our customers, we need your support in lifting the remaining Armed Services Exchange regulations. The time has come for our military customers to receive parity with their civilian counterparts. We continue to survey the commercial retailers annually, and have received very few negative reactions from local businesses. The restrictions we have lifted in the past have been very well received by our service members and their families. They serve our country with the utmost diligence and devotion to duty, and deserve to be treated the same as other Americans.

Finally the Navy Exchange is working diligently and openly with the Unified Exchange Task Force (UETF) to help shape the Military Exchange Integration Plan to be presented to this Congress next year. We are committed to the 19 operating precepts developed in conjunction with the other exchange commanders.

First and foremost, we feel the business case for integration must be clear and auditable. Data we have seen on the success of large retail mergers—and this is a three-way merger—causes us real concern. We have received assurances from the UETF that risk mitigation will be addressed in our effort. We are concerned that although the process framework appears good, the aggressive time lines established for data collection, data normalization, and decisionmaking are far too compressed for the required level of due diligence. We cannot afford to break this system apart until we are absolutely convinced that it is the right thing to do.

Thank you for the opportunity to address you today. It has been my privilege to serve as NEXCOM's commander. Our Navy Exchange System is financially strong and is meeting the needs of our sailors and their families around the world every day, today and into the future. Our success is a direct result of the strong support of our customers, our dedicated associates, our industry partners and the support of each of you on this subcommittee. Together we can protect the benefit, maintain the commitment we made to the men and women who have served and continue to serve our country so well.



I have submitted my full statement for the record and will be pleased to respond to any questions you may have.

Mr. MCHUGH. Thank you very much, Admiral, and, again, best wishes to you in the future. Thank you for your past service.

[The prepared statement of Admiral Maguire can be found in the Appendix on page 342.]

Mr. MCHUGH. Next we have Major General Mike Wiedemer, who is Director of Defense Commissary Agency. General, thank you for being here, and we look forward to your comments, sir.

**STATEMENT OF MAJ. GEN. MICHAEL P. WIEDEMER, U.S. AIR FORCE, DIRECTOR, DEFENSE COMMISSARY AGENCY**

General WIEDEMER. Mr. Chairman and members of the subcommittee, it is my pleasure to appear before you to provide an update on the Defense Commissary Agency (DeCA). Serving as DeCA's director for the past 19 months has not only been most challenging but also the most enjoyable job of my career. I can't think of a more rewarding experience than providing the number one quality-of-life benefit for our armed services community around the world.

DeCA had a great fiscal year 2003. Despite obstacles such as typhoons, a blackout, hurricane, dock strikes, and a bankruptcy of a major distributor, we achieved sales in excess of \$5 billion, up 1.5 percent over fiscal year 2002. Operating costs came in almost \$5 million below budget, and we achieved the highest customer satisfaction scores to date, a 4.42 out of a possible 5.

In addition, the external survey conducted for the Department through the American Customer Satisfaction Index validated the satisfaction of our patrons, awarding us a score of 75, which exceeded the industry average and led the great results achieved by the military resale community.

And even though we don't offer a full range of products found in civilian supermarkets, we were able to achieve increased patron savings of 32.1 percent. Obviously the great men and women who operate the Defense Commissary Agency are doing something right.

2004 looks even better for DeCA. In the first 5 months of the fiscal year, sales are up by \$88 million or about 4 percent over the same period last year. This result is truly remarkable considering DeCA's declining patron base and limited product selection compared to commercial supermarkets. If our sales trend continues, as we expect it will, our unit costs will be below the fiscal year 2003 level.

We are also on track to once again increase patron savings.

Additionally, our customer satisfaction scores are at an all-time high. Our internal customer service satisfaction reached 4.47, which is the theoretical limit attainable. And our American Customer Satisfaction Index score rose to 76. This score is even more impressive when you consider that the American supermarket industry declined from 75 to 74 this year.

Our 2004 construction program will invest \$150 million in our infrastructure, with \$100 million in new stores and major upgrades to existing stores. The great men and women who operate the De-



fense Commissary Agency are committed to doing it even better in 2004.

The commissary benefit is the strongest it has ever been, not only in a retail sense as demonstrated by the enormous successes I just mentioned, but also in our governance of this integral element of the total compensation package.

While it may seem trivial for an entity like DeCA, at costs about one quarter of one percent of the Department of Defense budget, to crow about their cost-savings initiatives and stellar performance, never before has the taxpayer and customer gotten so much bang for their buck from the commissary system, with the average family of four saving \$2,700 per year.

In fact, for the last several years, DeCA's annual appropriation has only been increased to cover pay raises and inflation. If stated in fiscal year 1993 dollars, DeCA's 2004 budget would only be \$834 million, vice 1.1 billion.

The outstanding men and women of DeCA, our trading partners, the Commissary Operating Board, our leaders in the Department, the Members of Congress, should collectively take credit for these achievements.

I thank each and every one of them for their steadfast support, and I look forward to answering any of your questions.

Mr. MCHUGH. Thank you very much, general. I appreciate your comments, your presence here today.

[The prepared statement of General Wiedemer can be found in the Appendix on page 350.]

Mr. MCHUGH. Next we have Mr. Michael B. Downs who is Director of Personal and Family Readiness Division. Mr. Downs, welcome. Our attention is yours, sir.

#### **STATEMENT OF MICHAEL P. DOWNS, DIRECTOR, PERSONAL AND FAMILY READINESS DIVISION HEADQUARTERS, U.S. MARINE CORPS**

Mr. DOWNS. Thank you very much, Mr. Chairman. First I would like to express the Marine Corps' thanks to congress and the American citizens. Congress' supplemental appropriations were most valuable, and I want to assure you that our installation commanders used their allocation wisely to support deployed Marines and the families that remain behind.

The outpouring of support and concern Marines and families of Marines received from the communities surrounding our bases, and, for that matter, citizens throughout the country, was beneficial and heartwarming.

Needless to say, 2003 was a challenging year. However, despite the challenges associated with 67 percent of our operating forces being deployed, a major hurricane and the southern California wildfires, our Marine Corps Exchanges posted another year of strong performance. Dividends generated were directly supportive and critical to the delivery of our high-quality MWR programs.

Even most of our MWR revenue generators posted increased sales. I am happy to report that the Marine Corps appropriated fund support to MWR that has been on a steep incline since 2002 continues to increase this year.

For the second year we have exceeded our funding goals in the most important mission sustainment category A programs, and we are very near the Category B goals.

Installation commanders and their loyal and dedicated exchange and MWR professionals are key to our success. They do the hard job of balancing competing priorities to ensure the exchange, MWR and other quality-of-life programs are working as they should.

The Marine Corps continues to pursue a multiyear effort of standards of excellence designed to move Marine Corps Exchanges into the next century of service, including implementation of a modern merchandise system, centralized buying, an image campaign, and a functionality assessment, all designed to enhance customer service.

From the recently reported American Customer Satisfaction Index, an impressive increase in customer satisfaction seems to validate our efforts. As to exchange integration, it is a demanding process, requiring careful attention, apportionment of key staff members' time and energy.

At times, important regular duties are being overtaken. If not supported by appropriated fund costs—if the costs associated with our exchange integration effort is not supported by appropriated funds, the costs will be borne by nonappropriated funds intended for Marines and their families. That concerns us.

I will be happy to respond to any questions.

Mr. MCHUGH. Thank you very much, sir. Appreciate your comments.

[The prepared statement of Mr. Downs can be found in the Appendix on page 328.]

Mr. MCHUGH. Are you and General Frost in Haiti yet, or are you still working that out?

Mr. DOWNS. The Marines are in Haiti. We are working on it.

Mr. MCHUGH. Just thought I would check.

General Frost has a copy of the VHS tape—because I appreciate it since I have not bought a DVD player yet—and I wonder if you will tell the members exactly what they have in front of them so it won't go to waste.

General FROST. Thank you, Mr. Chairman. Actually in January, AAFES received the American Spirit Award from the National Retail Federation in New York at their annual convention, and in the presentation they asked AAFES to provide a video that told a little bit of the AAFES story and the support that we provided on contingency operations for which we were being recognized.

We produced this video, and I do think it goes a long way to explaining with those unfamiliar with AAFES a little bit about what we have done for 108 years for our troops around the world, and we wanted to share it with each of you, to have you have something to do late at night when you are sitting around here waiting for votes, so that you could once again recognize what the AAFES team does but also realize that the support of this subcommittee, and previous to the MWR panel, has gone a very long way in enabling us and inspiring us to give that support to our troops around the world.

Mr. MCHUGH. Thank you very much. And a couple of comments in preface. As I mentioned, I just returned from Afghanistan. I was

in Kandahar and Bagram. I have now been to Iraq twice, and Mosul and Baghdad and Kirkuk and other places. And every place I went, there were exchange operations on the ground running and doing very, very important work, and a little slice of America in those very remote and very difficult assignments.

And I heard some complaints from the soldiers, sailors, airmen, Marine Corps and Coast Guard folks that I came across, but none of them related to the job that you folks do. And it is incredibly important.

I know that you hold that belief as firmly as anyone who walks this planet, but I just want you to know that from my firsthand experience, you are doing a great job in those very difficult theaters. And it is important work, and thank you, thank you for what you are doing for those good men and women in uniform.

And I also want to be very clear that, speaking for myself, I know each and every one of you, from Secretary Abell in the middle, to his right and left, are committed to doing the best job possible, and that is certainly the objective that we on this subcommittee and the full committee and the United States Congress in general hold as well. We may have at times differences as to how to do that in the overall context of the challenges we face, but where we want to go in the end is a common objective.

Having said that, Mr. Secretary, we have talked a great deal last year about the potential proposed consolidation of the exchanges. You are going forward with a study to assess that, and of course you are prepared, I assume still, to submit a proposal and the findings to Congress in 2005. If that has changed, we would certainly appreciate being advised of that.

But I just want to first of all reiterate my thoughts that I hope I conveyed very clearly, or somewhat clearly last year, as to how that process should proceed. And number one, it has to be an open process, one in which all of the stakeholders should be consulted. I would hope their views would be understood and their concerns would be in every way possible addressed.

And second, and perhaps even more importantly, whatever recommendations you have, should it be that of consolidation, that it be predicated upon not intuition but predicated upon very hard and fast findings that there are savings that would be yielded of course and, most importantly, would result in a successful organization, hopefully more successful, if that is possible, than that which we have today. There are a lot of examples in the American business history and the American business lexicon where bigger is not necessarily better.

So I would appreciate it if you could update us as to the status of that study as to what you know thus far, and if you have any objections to those, I think, very reasonable standards that I just set out, perhaps you could share those with us now.

Secretary ABELL. Mr. Chairman, I think your description of your criteria, your standards, are entirely consistent with those that we have put forward. You have heard from the three exchange commanders here about the various parts of that.

Admiral Maguire talked about the principles, the tenets of the task force, and it is fair, it is open. It is going to include, as I said, academia, industry, other experts. We will bring you a solid busi-



ness case and a good plan, and if we can't develop one, then we will bring you a recommendation that we not proceed any further.

My goal remains to provide it to you about this time next year. I hear the admiral's concerns. If that turns out to be too aggressive a plan, then I won't bring it to you until it is ready. I am not prepared to relax that deadline at this point. I am not convinced that we can't get there. Yes, it is hard work. Yes, it is detailed work. But we ask our soldiers, sailors, airmen and Marines to do hard, detailed work all the time. The least we could do is meet that. So we will do that, sir, and it will come to you as a proposal. We will then be ready to respond to your questions and your review, and we look forward to your approval.

Mr. McHUGH. Thank you, sir.

I would turn to the exchange chiefs. Any concerns, comments, observations, that you would like to share with us on that particular direction right now?

Rear Admiral, you are retiring. What the heck?

Admiral MAGUIRE. I would certainly agree. The process as set up is very open, and there is the ability for all of us to see the issues on a daily basis. So our concern is certainly not the openness of the process.

Mr. McHUGH. But your concern is what?

Admiral MAGUIRE. My concern, as stated, is the detailed mapping required to actually define the best-of-breed business processes across all the exchanges. It does require a lot of detail. There is a lot of mapping that would be done, depending upon what the specific business processes are. It depends on the level of indenture you would want to go to, which could be down to the fourth level of indenture in that process. And the only concern that I have is that we allow the time to do it right, and that once we allow it the time, then I feel we would have done probably the level of due diligence to be able to make the right call; because—my meeting with my people—there could be a significant number of mapping events that would have to take place before you could then compare it across the exchanges and then be able to make the determination of which is the best way to proceed, sir.

So my only comment is that we be open to the fact that we give—the most important thing to me is to have the right amount of time to do the right job.

Mr. McHUGH. How about the culture differences? If I were to go to, as I have, an exchange at a Navy business base in Naples, by and large the product offering is substantially different than were I to visit an Air Force or, even more, an Army exchange somewhere else.

Do you think that is resolvable? I know the Department has said that they would respect those cultural differences, but do you bring some skepticism to that ability, or no?

Admiral MAGUIRE. Sir, I think the face of the exchange is really defined by the buying processes that you have that back up that exchange. I know in soft lines alone, we probably have 35 to 50 different configurations, depending upon the demographics, of that specific base. So I think the challenges associated with defining each process is very critical, and, quite honestly, there are approaches that could be taken, depending upon the model. And the



task force is looking at that to try to, respect the fact that we do things differently in the way we load out our exchanges. And there are private sector models that do similar approaches. So it certainly is doable, but it would have to be looked at in detail to make sure that we are not losing that culture or that customer face that we provide.

Mr. MCHUGH. Any other of the chiefs would like to make comments?

Mr. DOWNS. If I could just reinforce what the admiral has said, and maybe expand a bit.

It is my belief that the complexity of military exchange consolidation is not fully understood by the idle observer. The culture, operating precepts, and stock assortments, as you have indicated, are quite different. Additionally, you can't isolate exchange operations for study. You must include the relationship and the impact on MWR. I, too, believe the UETF process could work with appropriate time lines. It needs to be event-driven, not time-driven.

Unfortunately, the Phase one baseline deliverable time frame has already lapsed, and work teams are being forced to move ahead without reconciliation of functional team input. We need time to analyze and normalize data. We are forced to meet a deadline, and if we are forced to meet deadlines, we are going to forfeit quality. It sort of flames the notion amongst some of our staff that the process is a check-a-block activity, that the exchange leaders and those that are working on the process are being used as cover and that the 2(b) OAL plan already exists.

Manpower requirements are my most important concern. We are overloading key members of the staff who are already in our organization, multiheaded. It exacerbates the unrealistic time line, and it risks insufficient oversight to other Marine Corps Community Service (MCCS) programs for the sake of exchange integration planning at a time when we are very busy taking care of Marines and families of Marines.

Mr. MCHUGH. Either of our two generals, General Frost, General Wiedemer?

General FROST. Well, I think the undertaking of the entire Unified Exchange Task Force and the direction that the Office of the Secretary of Defense (OSD) has asked us to go is to make the benefits stronger. And to the extent that we can work together with our sister service exchanges to identify best practices and to share those best practices, and to map our processes, and question those processes that are not the best practice, then I think in the long run, whether we end up a consolidated exchange or whether we end up three separate exchanges, we will all be stronger as a result.

If the goal is not to be stronger, we do not need to be wasting our time. But at least we are going into it with an eye toward what we will get through this process. Whether that means we get bigger as a consolidated exchange is another matter, and that is something that OSD, working with Congress, is going to have to decide. But we are working very closely to identify the things that we will have to do to make that happen.

Now, to answer your question with regard to the stock assortment being different in different stores, even at AAFES, in our

200-plus PXs, you will not ever necessarily find the same stock assortment, because as a company, at our corporate headquarters, we tailor the assortments based on the demographics of the population that that particular exchange is primarily serving. So you will find some stores that have more prestige and some stores that have a focus on more entry-price point, depending on the customers that we are serving.

And so there are ways in which you can support individual stores with a varied stock assortment, and that is what we will obviously work with the Unified Exchange Task Force to suggest.

Mr. MCHUGH. Thank you. I know, General Wiedemer, you don't have a direct dog in this fight, as we say. Let me give you a question in which you do have a direct dog potentially.

We have heard a lot of discussion over the past several months about expanding the available stock for sale in the exchanges: phone cards, one-time use cameras, film, greeting cards, maps, those kinds of things that currently are unavailable. Certainly those who support that make an understandable argument that that is the kind of thing that most American consumers can find in your grocery stores, your supermarkets back home.

I was wondering if you would like to make a pitch for that expansion of your stock opportunities, or comments as you may see fit.

General WIEDEMER. I think this is a great question. The restrictions on what categories that can be sold in the commissaries today has denied our troops the opportunities to get the lowest prices on the products they need or want.

Now, while DeCA has—

Mr. MCHUGH. General, I apologize. Could you drag that mike a little bit closer?

General WIEDEMER. We will start that again. Is that better?

Mr. MCHUGH. I could hear you before, but John couldn't. Can you hear now, John? Yes, he can.

General WIEDEMER. The restrictions on what categories can be sold in commissaries has denied our troops the opportunity to get the lowest price on the products they deserve or want. While DeCA has made tremendous strides in improving our stock assortment over the past several years, we have been unable to keep pace with commercial supermarkets because of these restrictions.

Supermarkets often jump on developing trends in the marketplace to leverage their competitive advantage. The restrictions we must operate under often prevent us from even examining the business case as to whether we could provide items our patrons want at a greater savings than what they could obtain from our competitors.

Because of those restrictions, DeCA more closely resembles the format of an Independent Growers Alliance (IGA), or family-operated grocery store of the 1950's rather than the modern supermarket of today.

In short, these restrictions keep us from offering the types of products our customers are used to seeing on shelves in their local supermarket. It causes them to believe that the commissary is something less than a full-service store, and it denies them the opportunity to stretch their paychecks even further.

Just like the concerns that have been raised about the Armed Services Exchange Regulation (ASER) that drives business outside the gate, the category restrictions imposed on the commissary act in the same manner. Therefore, if the ASER is going to be reviewed for the exchange merchandise, the commissary category should be reviewed as well. After all, as our friends at AAFES say, military resale serves the best customers in the world.

We believe also that those best customers in the world deserve and expect the best service at the best available price.

Mr. MCHUGH. Thank you, General. You mentioned ASER, and let me just follow up. And then I very much need to yield to my colleagues who have been very patient, and I appreciate their patience.

ASER is a problem, and the general principle, I suppose, is the same, where the product is available elsewhere. But ASER is an issue for this subcommittee and I think this Congress, because it places the exchanges in competition, direct competition, with businesses off post, particularly small businesses.

The commissary store offerings really place you more in competition with the exchanges, less so off base. So I think in fairness, I appreciate the comments of any or all of the exchange chiefs with respect to the commissary store expansion.

What kind of an effect would that, in your estimation, have on your operations, and is it worth it in terms of the overall benefit versus the cost?

General FROST. Mr. Chairman, I really believe the synergy between the commissary and exchanges is very important for our customers, and nobody can do the sale of groceries better than the commissary. But and you pointed out that most American consumers believe they can walk into a grocery store now and buy a lot of different products, but I would suggest to you that most American customers don't depend on a military exchange for their MWR dividend, and in expanding categories in a commissary, you are detracting them from our ability to generate the earnings that we need to fuel these important MWR programs.

Basically we believe that we are selling the merchandise at wonderful prices for our customers. In fact, we just did a market-basket survey throughout the country, and the average saving of buying merchandise such as cameras and so forth in our stores is around 21 percent. And I would hate to lose that ability to sell that merchandise in a facility that is in many cases co-located in a mall with a commissary, and in that way have our MWR dividend suffer.

Mr. MCHUGH. Thank you.

Mr. Secretary, do you want to comment? You are the arbiter between the commissaries and the exchanges, sir.

Secretary ABELL. Yes, sir. One of the things I enjoy about dealing with these folks is that they are all strong advocates for their particular entity. My view is the same. I think if we were to go talk to the children of our servicemen in the age range of maybe three to seven or eight, they would probably tell you that exchange and commissary is a hyphenated term. I think the culture of our military services is that they go to the exchange and commissary. So the culture is they are very used to shopping for groceries in one



place and other goods in another place, and I do heartily agree with General Frost on the necessity to preserve the MWR dividend that flows from our three exchanges to support those programs that are so necessary out there.

The commissary has its place, but the commissary, frankly, does not contribute to the MWR benefit.

Mr. MCHUGH. Thank you, Mr. Secretary.

Admiral, Mr. Downs, any of you wish to weigh in?

Admiral MAGUIRE. Sir, I support the comments by General Frost. I mean, my concern would be lost sales and the impact on MWR dividends, and without any additional information, it would be hard for me to project.

Mr. MCHUGH. Thank you. Mr. Downs.

Mr. DOWNS. Ditto, sir.

Mr. MCHUGH. Thank you all very much. I will be happy to yield to the distinguished Ranking Member, Dr. Snyder. Thank you for your patience.

Dr. SNYDER. Thank you, Mr. Chairman.

General Wiedemer, just following up on that, last year I was out of here for a month or two because of some health things going on, and so I feel like I am about two years out of date because I missed this hearing last year. So I want to try to have you amplify on some of this, in terms of just issue identification. One is the restrictions you brought up, General Wiedemer. Your concerns about the restrictions has not reflected on the favorability or your customer satisfaction surveys of—I mean, in your written statement, they continue to go up, they are better. I mean you are not seeing business drop off because they say we are going to go to a Wal-Mart instead of downtown. They are still coming to see you and the numbers are up and everybody is happy. Is that not what you related to us?

General WIEDEMER. The most common complaint, however, that I received is, You do not carry these types of items that I see in other stores, Wakemans, Safeway and so forth. So from that perspective they may be satisfied with the services—very satisfied with the services we are providing, but I think there is an opportunity to better serve those, and perhaps in a coordinated initiative with the exchanges so that we would not undermine the sales or the dividends that are provided.

Dr. SNYDER. Do you have that document? I mean, can you tell? What are the complaints that people go and volunteer, what are the five things, the five items or the three items at the top of the list that people would most like you to carry?

General WIEDEMER. Yes, sir, we can identify those. The following category of household necessities such as school supplies, greeting cards, products that you find in household sections of your neighborhood supermarket, in addition to film, and phone cards.

Dr. SNYDER. So school supplies, phone cards, greeting cards. What was the fourth one?

General WIEDEMER. Things that you find in the household section.

Dr. SNYDER. Detergent, brushes, sponges.

General WIEDEMER. Sponges. Those kinds of things. And we don't carry a very wide selection of those right now.



Dr. SNYDER. You have some of those items?

General WIEDEMER. Yes, sir.

Dr. SNYDER. As a general rule: If you can't eat it, you don't have it?

General WIEDEMER. As a general rule, groceries and necessary household items.

Dr. SNYDER. So you have some household items but not others?

General WIEDEMER. Tupperware. That kind of thing would come to mind.

Dr. SNYDER. You have?

General WIEDEMER. We don't have that. We would like to have.

Dr. SNYDER. You have sponges?

General WIEDEMER. We have sponges, sir.

Dr. SNYDER. I am just trying to learn here, Mr. Chairman.

Mr. Secretary, Secretary Abell, when you all are making a determination about opening or closing a commissary, is one of the factors the number of reservists in the surrounding geographic area?

Secretary ABELL. Under today's rules, that is not the primary driver, sir. The primary driver is the size of the active duty population that is supported.

Dr. SNYDER. Is it—your word "driver," is it a factor at all?

Secretary ABELL. Yes, sir. It always comes under consideration, but it is not a primary factor.

Dr. SNYDER. And, Mr. Secretary, the consolidation issue, which you all discussed in response to Chairman McHugh's question, that is clearly one of the controversies that we have going on.

This issue of restriction is another. I don't think I have heard much discussion today yet about this issue of pricing and variable pricing. What is the status of studies that have been done or are ongoing in your decision-making process with regard to variable pricing?

Secretary ABELL. Yes, sir. General Wiedemer's organization, the Defense Commissary Association has commissioned that study. It is due to report out at the end of this month. I don't know what the findings of the study will be, but my view is that it was important to get the study done so that we have answers to the questions. We have spent a lot of years listening to people tell us what they think the outcome would be of variable pricing. The purpose of this study is to resolve that question.

Dr. SNYDER. All right. Would you articulate specifically that question for me?

Secretary ABELL. It is the feasibility and desirability of requesting your authority to implement variable pricing within the commissary system. It will also look at the best value program that the commissary currently runs and make recommendations as to whether that is being optimized or not.

Dr. SNYDER. Are you saying that there have not been other studies done on variable pricing?

Secretary ABELL. In my view, sir, we don't have a definitive study, and I hope this is that. I think it has been looked at. I haven't found other studies that I view to be a credible and definitive study.

Dr. SNYDER. It is my own personal experience, as human beings, sometimes my definition of a definitive study is one that agrees with me, and everything else is just an opinion.

Secretary ABELL. I have no predetermination.

Dr. SNYDER. Okay. Would you define variable pricing for me, please?

Secretary ABELL. Yes, sir. It would allow—today, the commissary charges for its goods cost, and then at the register a five percent surcharge is added. Variable pricing would allow a variant of that, and let me give you an example. If at Fort Riley, Kansas, they found that commissary hamburgers were, say, 50 percent less than the prevailing outside cost of hamburgers. Then, under variable pricing, they could charge above cost, and then go over to some other commodity that was not as competitive with the outside area and charge below cost, leveling it out. We could do that at the store level, we could do that across the commissary system if we wanted to.

Take my Fort Riley example where the market basket might be below the outside; we could raise the prices there, and then perhaps in another area of the country, a more high-cost area, we would be able to sell the goods at a lesser amount.

This is a way to maintain that 30 percent savings across the board. It may be a good idea; it may not be a good idea, sir.

Dr. SNYDER. So we have got the consolidation issue, the restrictions General Wiedemer referred to the variable pricing.

What are the other potential controversies facing you this year, Mr. Secretary?

Secretary ABELL. There is always budget pressure, sir. As you know, through the whole budget process, everything gets additional scrutiny. And all of us I think are looking forward to the changes that are going to occur as a result of both the BRAC process and the global positioning decisions that the Secretary will make within the next year.

Dr. SNYDER. General Frost, how are the lines doing at the Burger King in Baghdad? They were really long when I was there.

General FROST. Well, I think the lines start about 8:30 in the morning and they stop when the Burger King closes its doors.

But I read where a soldier had been asked at one name-brand fast food restaurant, "Why are you standing in line?" He says, "Well, if I go to the dining facility, I have to stand in line. I would rather stand in line for something I want to eat."

Dr. SNYDER. It was good to see all the facilities there. Thank you for all you do and thank you for your indulgence.

Mr. MCHUGH. I thank the gentleman.

The gentleman from Virginia, Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman.

And thank you all for being here today. And while I have a chance, for Bill, good luck to you in your retirement. Thank you for what you have done all these years. And I wish you happiness, health, and success the rest of your life. And take it from one who knows, there is life after the uniform.

Admiral MAGUIRE. Thank you, sir.

Mr. SCHROCK. And it can be pretty nice. So I wish you nothing but happiness, you and your family.

I have followed the actions of this administration with respect to military exchanges, commissaries, and the MWR program since I arrived here on my first day of Congress; and I have listened to both sides of these issues at great length. With each passing development, my concern continues to grow.

I believe DOD's actions, to date, in many ways reflect the single-minded pursuit of a goal of reducing the use of appropriated funds. I heard the secretary say it involves budget pressure, and I understand that and I believe in that; but I think when it comes to our men and women in uniform, that is where it has to stop.

But that single-minded pursuit of reducing appropriated funds with little regard for the efforts of that goal or the need to enhance and maintain, frankly, is what I think is a very, very critical benefit.

The proposal to create a unified exchange system is of the greatest concern to me at this point; and as many of you know, this is certainly not a new idea. When asked in November of 1990 by the then-Secretary of Defense to comment on the proposal to consolidate military exchange systems, then chairman of the Joint Chiefs of Staff, General Colin Powell, wrote in bold black letters at the bottom of his memo, "The exchanges are financially sound, serving their patrons and making valuable contributions to the MWR program."

It goes on to say with respect to the consolidation proposal, and I quote, "Leave it alone. It is not broken or even cracked. At the same time, challenge the systems to achieve savings by collaboration rather than consolidation."

I believe Colin Powell's advice and consent is still valued and respected on many matters under jurisdiction of this committee. I also believe that there are many instances of the different exchange systems answering the challenge to achieve savings through collaboration and implementing industry's best practices.

My question is for the witnesses with the exception of General Wiedemer. You get off the hook this time, too. What has changed since 1990 that leads DOD to believe the consolidation of military exchanges is now a good idea?

We could start with the Secretary and then go up or down the line.

Secretary ABELL. Sir, I believe exploring consolidation is essential. I believe that we will bring to you a study and a plan that will demonstrate the business case for consolidation.

The differences between 1990 and now are the differences in the services. We are looking forward to joint bases. We are smaller than we were in 1990 by about a third. The competition on the outside is more acute now than it was in 1990. All of those things combine to say we have a responsibility, in my view, to undertake this effort.

When we bring you the plan, it will have to be the best plan that we can devise. I am not naive. You are going to give me one shot at this, and so I have to bring you the best product I can bring. I don't envision that you are going to say, "Geez, why don't you go back and look at this again and come back in two more years?" That is not how I see it working.



So when I bring it to you, it will be a product that I believe you will be able to examine in minute detail and come to same conclusions that we did, or else we won't bring it to you.

I do agree with what I heard earlier. Either way, I think our exchange systems will be stronger at the end of this process.

Mr. SCHROCK. General? Admiral? General?

General FROST. I agree with Mr. Abell in regard to the strengthening of all of our business process as we go through this. I mean, we had cooperative efforts for many, many years.

Three things are significant that came out of that, and that is the creation of the Exchange Select private label brand that we share and for which we just received an award, recognizing the Exchange Select brand of health and beauty care as well as household products.

Also, we cooperate on our catalog and internet sales, and that has been a cooperative effort among the exchanges.

As well, our private label credit card, the Star card, which started as the Army and Air Force's DPP, deferred payment plan, is now the fourth largest proprietary credit card in the country. And that is a credit card shared by all of the exchanges.

There are other cooperative efforts around the fringes, but we had really gotten to the place where it took a whole lot more soul searching to find other ways that we could cooperate. And I would suggest that if anything good has come out of the Unified Exchange Task Force, it has been the requirement for us to sit down and do more in-depth soul searching about other ways that we can become more like, if not share, other processes and so forth.

So I think the process of getting the report to you is driving us all to be better.

Mr. SCHROCK. Yes.

Mr. DOWNS. Congressman Schrock, a problem is that this is not a study. We are developing the UETF as part and parcel of the UETF process, an implementation plan. Any mention that it was a study has been rejected.

The Marine Corps has always maintained that there had not been a credible business case. The UETF's starting point is that the culmination of all the studies that have been done over 30 years somehow or another is that credible business case. So, you know, that flavor is of concern, and my principal concern with integration is the MWR piece.

There are a lot of things that we need to know about. What are the revenue generation plans of a consolidated exchange? How do they intend to determine what level of price savings would that be directed? How do they intend to have the individual services participate in a recapitalization plan? Because all those things impact the dividend.

I don't know what kind of a dividend distribution plan will be created, but any one that I have heard suggested the Marine Corps dividend will be decreased somewhere between 10 and 30 percent. That is devastating.

And then the question I would ask is, would the demanding time effort that is required by key people that have full-time important duties, is this the most valuable use of their time?

Mr. SCHROCK. Thank you.



Admiral.

Admiral MAGUIRE. We went into this process at the Navy Exchange with fundamentally three tenets. Number one, we were going to actively participate and engage in the process. Number two, we were going to basically watch very closely the impact of such an effort on our sales' top line or potential impact on MWR dividends, and that we would want to go into it ensuring all of our employees or associates have equal and fair access to any positions that could surface from this.

So those are the tenets and approach we have taken, and some of those have certainly been embodied in the overall 19 operating precepts that I talked about.

The jury is still out with me. I think we need to really have a business case that we can all sign up to that says that the end state of this means better merchandise availability, lower prices, better MWR dividends. And we are still in the initial planning phases of that.

The second thing is, I know where we are today and I know where we will be with the assumptions we are making in the future. And we are going to get better in sales, and we are going to get better in MWR dividend contributions, I am convinced. And we are implementing a retax system that will enhance our ability to really move retailing into the 21st century.

So at this stage of the game, I still have to be convinced. I have to see a very sound business case that would support this and would stand up to any audit. And right now I am leaning more toward Secretary Powell. We are certainly not broke and we don't need to be fixed.

But if the end state of this and the business case proves that we are going to be better than we are individually when this is implemented, then it would be hard to argue with not doing it. But right now we are in the starting phases of this, and we need to see a very solid case made before we change anything.

Mr. SCHROCK. I know we have to vote, but let me follow up on the task force situation. I am going to put it simply.

Many critics believe that a credible business case for consolidation has not been made. And, of course, the PriceWaterhouse Coopers due diligence study they did in 1999 held up by many as a business case that justifies the action. And I believe the study highlights the extreme risks involved in this process and gives credence to the premise that costs and risks outweigh the supposed benefit.

My question is for the three exchange heads. In your opinion and from your observation of the process so far, do you believe a credible business case has been made for consolidation? And has the task force adequately considered risk mitigating strategies, or are the risks being sidelined in an effort to meet the deadlines? And is the task force just charging forward and ignoring the risks?

That is what I fear, because they have to meet a deadline.

General? Admiral? General.

Mr. DOWNS. Well, as I indicated, I do not believe a business case has been made. I am seriously concerned about the risk, the huge risks associated with consolidation. And the UETF process has within it, later, a time when risk mitigation and risk issues are to

be dealt with. We are very early in the process. We don't have a well-refined baseline, as it states, for any of the exchanges yet.

Mr. SCHROCK. Yes.

Admiral MAGUIRE. I think to rely upon the PriceWaterhouse study, which is a study that is now aged, we have to be careful, and we have to go through and refresh that because we have had cooperative efforts; and as I alluded to earlier in the capitalization plan, we are implementing an ERP system that is going to generate some savings as well.

The risk mitigation issue is a concern of mine. It has been voiced at our meetings, and I have been assured that there will be a risk mitigation strategy, because in the literature that I have read on mergers, there is a period where performance during the transition declines; and top line sales preservation is an absolute imperative for the retail business.

So I haven't seen the risk mitigation strategy yet. It has been put on the table, and we have been assured that there will be one that all the exchange commanders can review and either agree or disagree with.

But that is where we are right now on this, sir.

Mr. SCHROCK. General Frost.

General FROST. With regard to the business, when Mr. Wolfowitz directed that we do this, that, to me, was a call that we have to sit down at the table and we have to do this. I have not heard from my people yet that they feel any arbitrary drive toward a target date rather than a serious effort to sit down, look at the business practices, and see what we can work out.

There are risks. And those are things that have to come out of each and every single one of the work groups; they have to be brought to our level, and they have to be elevated to OSD as we find them.

From our standpoint, there is a tremendous risk of scale. When you take the size of AAFES and then you try to superimpose on that common business practices for smaller operations, there is a huge risk to us with regard to the scale and cost to AAFES in terms of having to change a gigantic ship to meet the necessary practices of the others.

So, yes, there are risks. And we are identifying those as we find them, and we will be vocalizing all of those to OSD as we work through this process.

Mr. SCHROCK. Mr. Chairman, I have got several other areas, but I know the voting clock is ticking.

Mr. McHUGH. Well, we are not in a vote, but we do have other members.

Mr. SCHROCK. Oh, okay. Well, thank you.

Mr. McHUGH. If we were in a vote, we would have been out of here a long time ago.

Mr. SCHROCK. I am sorry.

Mr. McHUGH. We will try to provide a second round.

I should note—and I was just discussing this with Michael Higgins. I am not sure why it is; and if it is his personal wish and I am now going against it, I apologize, but Mr. Downs is actually General Downs, Brigadier General of the United States Marine Corps, retired. That does not show on his card that he hands out,

his business card or on his nameplate there. But he has a distinguished record of service, and speaks not just from his very able position as he is now, but certainly from his very responsible experience as a former general officer of the United States Marine Corps.

Mr. SCHROCK. Once a Marine, always a Marine.

Mr. MCHUGH. I understand that. But it doesn't say that. I wanted people to be aware of it.

Next I would be pleased to yield to the gentlelady from California, Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman. And it is okay, because we saw his posture and we knew immediately he had been—he was a Marine. Was, is, was.

I am not going to talk very long because I don't have much of a voice today, so you all get lucky.

But General Frost, I had the opportunity to go to Kuwait and Iraq with Representative Frost. And, of course, that means we got to go to everything. And I have to tell you, it was wonderful. I mean, you are really doing a great job out there, and we really enjoyed—it was really nice to see that there was a little bit of home in a little corner somewhere for these young men and women to go and get whatever it is that they wanted.

But there was one thing over and over and over that they asked me for. Maybe it is because my last name is Sanchez. A Mexican food joint. So I just wanted to find out, where are we? You know, and quite frankly I don't want to be mean to Taco Bell, because they are actually headquartered in my district. I don't really consider that Mexican food because the only Mexican food I eat is my mom's.

But when will we see that happen for them? Because, literally, that was the question on their minds.

General FROST. And, of course, I know you all took that very seriously, because I received a call that evening from Kuwait from Congressman Frost telling me that the soldiers want name-brand Mexican food in Iraq. We immediately set the wheels in motion.

As I mentioned in my testimony, right now we have five name-brand fast food restaurants in Iraq; that is, three Burger Kings, two Pizza Huts. We were allowed to do that, but in October we had to cease putting in name-brand fast food for a while.

Last week, we received word on the—well, actually on the 22nd of February—that the command in Iraq has told us now we can go forward with eight additional name-brand fast food restaurants in Iraq. One of those is going to be—and I won't use the name—name-brand Mexican food in Iraq.

Simultaneously, we are working, and it will be a little bit quicker perhaps to get name-brand Mexican food into Kuwait. But we have identified one site for Mexican food on the ground in Iraq sometime before the end of April.

Unfortunately, there are no name-brand fast food Mexican restaurants in the Middle East, so we are having to make separate arrangements to get the restaurant set up in Iraq. But we are going to deliver that to those soldiers.

I was in Kuwait a couple of weeks ago, and I was in the food court of the Camp Doha main store, and that is an extensive food



court. The 101st Airborne Division had just sent a party into Kuwait from Iraq that day. I talked to one of the soldiers there, and he said when he walked into that food court and saw it, he cried. And to the extent that we can deliver that little taste of home to those kids in Iraq, we are going to work very, very hard.

Ms. SANCHEZ. Thank you so much.

Secretary Abell, thank you again for being before us. I am a little concerned about the Army and the Navy reducing the appropriated fund levels for MWR programs. And in fact, reading the budget, I think there is an \$89 million cut in that appropriated fund for the programs.

What are you going to be cutting if you are cutting \$89 million out of that fund?

Secretary ABELL. First of all, I would like to recognize and praise the leadership of the Marine Corps and the Air Force for increasing their appropriated funds support to their MWR programs in the fiscal year 2005 budget. And I join you in being concerned about the cuts to the Navy and the Army appropriated funds support for MWR.

In the internal budget discussions within the Pentagon, our office worked hard to try and get those budget decisions reduced, but in the end they were the decisions of the service Secretary and service Chief. So our tactic now is to work with the services to mitigate the impact of those cuts.

Ms. SANCHEZ. So what does that mean? I mean, what can we perceive? I mean, \$89 million, that is a lot of money.

Secretary ABELL. Yes, ma'am. But I am the wrong guy to tell you that. I would offer that you should ask the leadership of the Army and the Navy about that.

Again, our focus has been on mitigating the negative impacts of that, and we have been working with both services to try and do that, and actually have received some assurances that they may, through their internal processes, put some money back to try and restore some of the cuts that were in the original budget. That is yet to be seen. And, again, we are looking at ways that we can help them so that there aren't severe impacts on the sailors and the soldiers.

Ms. SANCHEZ. Well, that really didn't answer my question, but I guess—

Secretary ABELL. I didn't make that decision, I can't tell you why they did it.

Ms. SANCHEZ. Okay. We have a lot of reservists and National Guardsmen serving. In fact, when we finished the rotation into Iraq, it is going to be almost 40 percent reservists and National Guardsmen. And, you know, these family members—because we have a lot of reservists in California, in particular; we see it all day long. These families are going through a lot, because it is not just a 6-month deployment, it is a 12-month deployment; once your boot hits the ground in Iraq, sometimes it is more, as we have seen.

What are you doing to provide outreach to the families? Are they being made aware of any of the benefits that they might get, whether it is commissary benefits or child care benefits or support services? You know, what are we doing differently with these fami-

lies whose men and women are now active for anywhere between 12 and 18 months at a time?

Secretary ABELL. Well, I think we are doing more than we ever have done before, thanks, as I said in my opening statement, in part to the money that you all were able to help us with by putting it into the supplemental appropriation.

There are some 400 family support operations for the reserve components' lien across the services and across the United States. That matches up with some 300 family support operations at the active bases, which again reach out to these same people.

But the one thing that we have found that is enjoying the most acclaim from our family members is the 1-800 number, the one source number where they can call in and get help with anything from a mental health crisis to needing a plumber to a pet sitter. This has been a wonderfully successful program, and it is available to all who are serving.

We also have outreach through the commands. They all have rear parties who reach out to these folks. They have, by various names in different commands, the chain of concern, if you will, or things like that, folks who are aware of who is serving and then where their families are and what they are doing, and making sure that they understand what benefits accrue and how to obtain those benefits.

I think it is, all over America there are people working every day outreaching to these families. And do we miss one or two? Perhaps. But for the most part, I think not.

Ms. SANCHEZ. Thank you, Mr. Chairman.

Thank you.

Mr. McHUGH. Thank the gentlelady.

She raises an excellent point about the appropriation level, and I think we are all concerned about that. And just so all the members are aware, on the 24th of March—we will have personnel chiefs in next week, but it will be on other issues, force restructure. But on the 24th, that would be a very appropriate issue to pursue and a very important one as well.

With that, I would be happy to yield to the gentleman from Massachusetts, the former ranking member when this was an independent panel, and a good friend, Mr. Meehan.

Mr. MEEHAN. Thank you very much, Mr. Chairman.

And thank you to all of the panelists. And I want to associate my remarks with Ms. Sanchez relative to allowing reservists total access.

During last year's hearings on MWR issues, I expressed my concerns about the need to allow reservists unrestricted access to commissaries. And I was pleased that the defense authorization bill extended access to the reserve component personnel. And I think all of us think that with nearly 40 percent of our deployed troops drawing from the reserve component, these men and women are clearly an integral part of our active duty military and deserve the same access as their active duty counterparts.

General Frost and Admiral Maguire, with so many of our troops deployed abroad in Afghanistan and Iraq, I am interested and I have heard some of the services that you provide to personnel

abroad to ease the strain of separation and ensure care for family members at home.

Prior to military conflicts, a big morale booster for our troops was mail call. Now, it is the ability to call home and send e-mail messages. Can you both expand on the type, availability, quality and cost of communication services offered to our military personnel who are now serving in Iraq and Afghanistan and Kuwait?

And finally, Secretary Abell, can you elaborate on the types of services offered to families at home to help them cope with the deployment of family members?

General FROST. As I was mentioning, in Iraq we right now have 21 AT&T call centers, and are in the process of installing 11 more by the end of March.

For a soldier to call home from one of these call centers using the 550 unit global calling card that is sold at the exchanges, it costs our soldiers 32 cents a minute to call home from Iraq. It is 19 cents a minute if they are calling from Kuwait. It is also 32 cents a minute if they call from Afghanistan.

We were talking with AT&T last week; they came in to visit our headquarters, and we have asked them once more to go back and sharpen their pencils. Now that we are expanding the call centers more, we will have more phones on the ground for our troops—to sharpen their pencils and see if they can come back to us with a better rate for our soldiers and our airmen to call home at these call centers throughout Iraq.

Now, right now, we in no way can provide—there is not adequate phone—unofficial call centers there for our troops to use. We have also asked AT&T to speed up the process a little bit more. In the meantime, if they can't get into a call center, we do have satellite phones in the theater. But the cost of using one of those phones is significantly higher. I think that is 76 cents a minute if you use a satellite phone. So we would prefer to rapidly roll out more call centers and continue to try to drive the rate down from 32 cents to something that is better for the troops.

Mr. MEEHAN. General Frost, I have seen TV commercials running in the Washington area suggesting that Halliburton is now setting up and operating phone centers in Iraq. And it was always my understanding that the Army and the Air Force Exchange Service had the responsibility for this mission.

And as you have indicated, you already have centers set up in Iraq and Kuwait. How did Halliburton get into the phone business? And aren't you already expanding the number of centers?

General FROST. We are expanding the number of centers, and it caught us by surprise as well. I have not seen them, I have only heard that they have established call centers at two locations. Commanders are trying to take care of soldiers, and that is what commanders should do. But, unfortunately, they were misinformed about how to do that. Because, of course, when you go to Kellogg Brown & Root, Halliburton, and ask them to do a service, then appropriated money has to pay for that service as opposed to us being able to come in to provide that service with our call centers.

So we have worked with command to try to get the word out and will continue to do that; but it is absolutely incumbent on us to keep working with AT&T to speed up the process, because when



there is a vacuum, an enterprising soldier is going to fill that vacuum. So we need to move faster to get the call centers out there, but we also need to reinforce our primacy, because you know that the money made on the telephone calls also goes back to MWR. So that is taking away from the dividend as well.

Mr. MEEHAN. So Halliburton is into the phone business?

General FROST. I have been told by my people on the ground that they have established two call centers at two different locations with the appropriated funds.

Mr. MEEHAN. Okay. It wasn't a negative ad, but it was a ad nonetheless. But it just hit me by surprise.

Secretary ABELL, I asked about the types of services offered to families at home to help them cope with deployment.

Secretary ABELL. Yes, sir. Sir, family support centers are there to help. They are there to try and resolve any and every problem. They provide friendly understanding, empathetic ears and faces. They organize activities. They are conduits for information from the unit to the individual and from the individual family member back to the unit. They become the unofficial, if you will, communication link to the units. They explain what benefits are available for the service members and how to obtain those benefits and, in some cases, actually assist in the delivery of those.

They are generally problem solvers. But I think the most important function that they perform is that they are there, they are friendly, understanding, and empathetic, usually manned by folks in the same situation, so that they share it. You see many cases of where they organize activities so that they can go off and do something together again because they are kindred spirits.

Mr. MEEHAN. I can't resist. Every year I bring up the issue of restrictions placed on what can and can't be sold in exchanges, and over the past few years, Congress has lifted the size of format televisions. But I understand there is still a restriction on the cost of a projection TV. I was reading through the testimony of William Stanley, the Chairman of the American Logistics Association who will be testifying in the second panel, and I was amazed to hear that because of the advantages in digital technology, service members can now purchase digital projection TVs, which are not sold in exchanges, for less than the digital tube TVs currently sold in exchanges.

It just seems that these restrictions are outdated and costly to service members. And every year I bring this up. And I have football analogies. The Patriots did go to the Super Bowl, and I was there, so I didn't watch it on my large-screen TV, but I just can't understand the justification for retaining these restrictions.

Secretary ABELL. Sir, my personal view is that the product line available in the exchanges should be market driven, not limited by artificial constraint.

The Congress has been generous in, over time, lifting the various limitations, and they have charged us to go survey folks outside the gate to determine the impact. That data is being assembled, and we will have a report to you sometime this year.

Mr. MEEHAN. And I understand that exchanges once again seek relief from the Armed Services exchange regulations which would permit them to sell whatever they wanted without restriction.

I don't know, General Wiedemer, whether you can comment. Is the Defense Commissary Agency subject to the same restrictions? And how do the commissaries compare in terms of the numbers and types of items sold in today's modern supermarket? And, actually, Dr. Snyder asked about Tupperware and all those items; I am wondering whether you are selling the Patriots DVD? They had a great season.

General WIEDEMER. Perhaps that could be found in the exchange, sir. I do not know.

With respect to your question, we do have similar restrictions in terms of product lines. And I do share the sensitivity of my panel member commanders that the MWR dividend should be very, very carefully protected. But I think there is an opportunity to expand the product lines in both the exchange and the commissary to the benefit of our patrons and the benefit of our surcharge and our dividend.

Mr. MEEHAN. Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentleman. And I would note, and I know the gentleman is aware of this, the last time ASER was in any way expanded was when this subcommittee did it 2 years ago, and the only time in the last 12 years prior to that I am aware of is when the gentleman and I were chairman and ranking member on the independent panel, and we lifted it. So—

Mr. MEEHAN. I am looking forward to doing it again.

Mr. MCHUGH. And I appreciate that. We may hear a counterbalancing view from some of the independent businesses, but it is an important issue, and the gentleman has been a leader on that and I appreciate it.

Next, I am happy to yield to the gentlelady delegate from Guam, Ms. Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman and our ranking member.

Distinguished members of the panel, I represent the Territory of Guam. My first question is for Rear Admiral Maguire.

I understand that the DOD instruction on Armed Forces exchange regulations provides unlimited exchange privileges to U.S. civilian DOD employees, in quotes, "when stationed outside of the United States."

Now, for the purpose of this regulation, Guam is considered outside of the United States, which means civilian DOD employees should have access to the exchange. My question is, are locally hired civilian DOD employees in Guam considered stationed in Guam? And, if not, why not?

I ask this because I want to be absolutely sure that locally hired DOD civilian employees are not discriminated against compared to those that come in from off island in receiving exchange privileges. It does seem peculiar to me that under the regulation 13-2021, locally employed DOD contractors employed by the DOD can have access to the exchange but civilian employees cannot.

We need to fix this so we don't have one worker from the mainland having access to the exchange and the guy at the next desk being told, "no," because he was brought on in Guam.

Admiral MAGUIRE. Ma'am, I can address the issue of locally hired civilian employees who work for the Navy exchange. They do have

exchange privileges. As far as DOD employees on the island that are locally hired, I would have to take that as a question for the record, ma'am. I don't have an answer on that one.

Ms. BORDALLO. Could I have some information on that?

Admiral MAGUIRE. Yes, ma'am.

Ms. BORDALLO. Because it is a concern, and I am getting a lot of questions about it.

The other one is to Major General Wiedemer. I would like to read you a letter from a constituent regarding access to the commissary at Anderson Air Force Base, and I would like to have your thoughts on the subject.

"Dear Representative, I am asking your support for the 28 contractor employees who are in jeopardy of losing base exchange and commissary privileges here in Guam due to a decision by Pacific Air Force (PACAF) command and the base commander at Anderson Air Force base to terminate a long-standing benefit. Even though we have long held these privileges, granted under the OSSS contract, and were induced to hire on here at lower wages than other comparable jobs, our coworkers in Hawaii make several dollars per hour more. PACAF is not supporting Space Command, our employer, and this contractor continued granting us base exchange and commissary privileges.

Space Command is only a tenant unit at Anderson, and their desire to grant us these privileges is being overruled by PACAF commanders.

The substitution of monetary compensation for the lost privileges would only cost the government a lot of money when there are ample facilities available to support the benefits. Without these privileges, we will be entitled to negotiate for monetary compensation, but fear that because of the cost and the tendency to use percentages, we will not be adequately compensated for the lost value of the privileges.

The Anderson Air Force Commissary did a survey and found their representative shopping list cost \$178.77 in the commissary. The local price was \$351.69. This compensation would require an increase in the budget for Space Command under the OSSS contract. It seems ridiculous to increase the budget and pay out a lot of money to replace benefits that are of virtually no cost to PACAF and directly benefit PACAF in several ways.

Profits from exchange sales go to base morale, welfare, and recreation activity for military personnel. Our use of the facilities adds to the number of users who justify the continued operation of these facilities. Anderson has a replacement commissary and upgraded exchange scheduled to be built soon. Without sufficient utilization of these facilities, how are they going to be sustained?"

It seems to me, gentlemen, that this constituent has the right idea to save the government some money here and make sure that the commissary is fully utilized. And I would like to get your thoughts on that, if I could, General.

General WIEDEMER. Certainly.

This is the first time that I have heard about that particular case of the 28 employees. And we will be glad to research the specifics associated with why they were entitled and are currently not enti-



tled; and also sponsor the staffing of returning those rights if that is sponsored by the appropriate service.

So we will get back to you on the record and informally.

[The information referred to can be found in the Appendix beginning on page 420.]

Ms. BORDALLO. Thank you very much. I really appreciate it. Because the letters are coming in frequently now to my office. Thank you.

Thank you, Mr. Chairman.

Mr. MCHUGH. Thank you. The ranking member just asked me what time we planned on bringing dinner. I think his point is well taken. We have expended well over two hours with another panel yet to go. But at the risk of appearing self-important, I would like to make a couple of comments and ask one final question—I hope one question.

First of all, I know Mr. Meehan brought up the question of telephones. As I mentioned I just got back from Afghanistan, and in my two previous visits to Iraq, the one thing I heard about phone service was “more,” meaning more phones. And I promised a lot of hard-working soldiers who are getting ready to go up into the mountains to search for al Qaeda that I would pass that message along.

And I see General Frost is nodding her head. I suspect this is not a new message to you.

But they very much need that contact and very much appreciate that contact in a theater, or two theaters of pretty tough duty. So to the extent that we can bring to bear some additional resources, whatever it takes to have that happen, that would be very well received by the folks who you are attempting to serve and who, in fact, you do serve so well.

The other thing goes back to variable pricing that the ranking member was focused on. As I understand it, in the private sector, Mr. Secretary, variable pricing is really a profit-generating mechanism.

I don't think any of us have a problem when you talk about decreasing a price that is not competitively structured vis-a-vis the outside. I get a little concerned when, in your example, the hamburger needs to be increased.

At the end of the day, in the private sector, variable pricing produces more, not less profits. And when you are speaking about that in terms of the commissaries, you are speaking about increasing prices for the service men and women. And more than that, usually, particularly when you are in the value brands area, you are probably increasing prices to those who can least afford to pay.

The other thing that concerns me is that—and it is conjecture on my part, but nevertheless I think it is with some merit—every time the Department has spoken about the need for variable pricing, there has been a similar and very quickly referenced comment about 30 percent. You used that today, Mr. Secretary, as though that were a cap, not an objective.

Right now, the commissary benefit is somewhere in excess of 32 percent. I think more is better. Thirty percent means we are going to do less compared to right now. And the other thing I hear about

is following a talk on variable pricing the need to at least limit, if not outright cut, appropriated funds support.

So I wonder if you could help disabuse me of my notions, if that is appropriate, and enlighten me with respect to what the overall objective of DOD would be in a variable pricing scheme if not to cap at 30 percent and/or to reduce appropriated funding support where, at the end of the day, the net result is soldiers, sailors, Marines, airmen, airwomen, Coast Guardsmen and -women are paying more.

Secretary ABELL. Certainly, Mr. Chairman. The 30 percent savings against the market basket is an objective that we have assigned to General Wiedemer and his organization to shoot for. They have exceeded that, as you note.

We could have a debate about, is it 30 or 40 or 32 or whatever. We do reach a point of where you can spend a lot of money to get a part of a percent more savings, and this is savings to the customer, not necessarily with regard to the investment that goes to get that savings.

So, is 30 percent right? It is where we are today. It is kind of the result of the efficiencies that DeCA has managed to implement over a series of years, and it seemed about right to me, frankly. So that is where we are. Variable pricing would allow us to try and maintain somewhere around 30 percent.

What I will tell you is that we will have, by the end of the month, a study that tells us whether this is desirable and feasible; and then we will have better answers on that. I know that the detractors all see it as way to increase profits, but of course, the DeCA doesn't make a profit. And so detractors would point out that we would then use that to depress the appetite for appropriated funds, and that is, frankly, fair. That assumes that 30 percent is where we need to be in the market basket savings.

Again, once we know the outcome on the feasibility and desirability of variable pricing. We can have another debate or a debate, if you will, or a discussion to determine whether 30 percent is the right target or it ought to be 35 or it ought to be 29.

Mr. McHUGH. Well, again, I appreciate your comments. Targets are one thing, caps are another.

Secretary ABELL. Yes, sir.

Mr. McHUGH. And I prefer not to think of myself as a detractor but rather a skeptic.

Secretary ABELL. I understand.

Mr. McHUGH. I am skeptical. Because you are absolutely right, you don't generate profits; but what you do do is find a reason to reduce appropriated funds support.

And the other thing I would encourage you—and Mr. Secretary, you are a busy man; I don't expect you to have to sit here for however long the next panel may or may not take. But I expect in the second panel we are going to hear how variable pricing substantially alters the very unique relationship between the commissaries and the Department with respect to best pricing.

From that point forward, I think we will hear from the people who are in large measure responsible for the prices that DeCA pays. You get into considerations about your price quote is dependent upon volume and all kinds of other things that, as I said, at

best, disrupts a very unique relationship that I think has been in the best interests of men and women in uniform and the American taxpayers.

So without getting into a debate about that, I would just encourage you to take those comments into careful consideration. And I know you will.

Secretary ABELL. Yes, sir.

Mr. MCHUGH. Thank you all very much.

With that, and it is not quite dinnertime, let me thank you all for your patience, for your service and contributions. Thank you so much for being here.

Admiral, again, best wishes to you in the future. And we are looking forward to talking to the rest of you again in the near future on this very important challenge that you meet so very well for such terrific and grand patriots in uniform to the service of this country. Thank you.

And with that, if we could have the next panel find their way to the table, and maybe we can get the nameplates changed so that those good folks would know their appropriate seating position.

Well, let me welcome our second panel and just state the obvious. Thank you for your patience, but as I know, or at least I hope you would agree, our give and take with the first panel is important, and there are a number of very important issues out there that we wish to at least have some clarification on the record. And I hope we achieved that. I think we did.

And let me introduce our panel, starting with Mr. Bill Stanley, chairman of the board of the American Logistics Association, ALA. Bill, welcome, C. Lloyd Johnson, chairman of the board, Armed Forces Marketing Council. Lloyd, good to see you, Joe Olding, president, commissary division of WEBCO; Joyce Raezer, director, government relations, National Military Family Association. Joyce, good to see you; and Chief Master Sergeant James E. Lokovic, director, Military and Government Relations, Air Force Sergeants Association. Welcome, sir.

We are extremely grateful that all of you in your busy schedules could make time to be with us today, and with that, let me just start with going down the order I introduced you. Mr. Stanley, welcome and we look forward to your comments.

#### **STATEMENT OF WILLIAM E. STANLEY, JR., CHAIRMAN, AMERICAN LOGISTICS ASSOCIATION**

Mr. STANLEY. Thank you, Mr. Chairman, and members of the subcommittee. The American Logistics Association is most grateful to you and your continued strong leadership in preserving and improving the commissary exchange and MWR benefits for service members and military retirees and their families.

I understand my written statement has been accepted into the record in its entirety.

It is an honor for me to be here as the chairman of the board of American Logistics Association (ALA) representing over 400 of America's leading manufacturers, over 100 brokers and distributors and more than 2,000 individual members who are actively engaged in providing goods and services to the military resale and MWR activities.



I want to affirm ALA's strong commitment to maintaining the commissary and exchange benefit as an integral part of the total nonpay compensation package for service members and their families.

Today I would like to address four issues: Armed Services Exchange Regulation (ASER) restrictions, exchange consolidation, variable pricing and BRAC. Also I would like to make it clear where ALA stands on these issues. I will give you that stand before I give you a brief statement on each of those.

We support lifting all ASER restrictions in exchanges. We do not support the consolidation of exchanges. We do not support variable pricing in commissaries. We support preserving quality of life benefits at BRAC installations and ASER restrictions.

Exchanges are a key component of the quality of life of uniformed service members. We believe that shoppers should have a choice without restrictions of merchandise sold in exchanges. Many of these military patrons are young families, utilizing credit for the first time, and therefore high interest rates can easily get them into financial difficulty by going off base to buy the products they want.

Mr. Chairman, ALA strongly supports lifting all ASER restrictions on exchange stock assortments. Exchange consolidation is an issue of significant concern to our members. ALA does not support this initiative unless a substantive business-based analysis is completed that clearly demonstrates the change would not degrade the current change to the patron or the MWR dividend. Any merger may have damaging impact on small businesses as the number of contractual opportunities will diminish effectively limiting competition and subsequently reducing the benefit.

Variable pricing: ALA believes that the introduction of private label and variable pricing in commissaries would lead to a significant cost to the patron and degradation of the benefit. Therefore ALA strongly opposes private label products and variable pricing in commissaries. In effect, DOD seeks to transfer the cost of providing the commissary benefit to the patron. DOD's goal of initiating variable pricing while maintaining a 30 percent overall savings for the military patron would generate little, if any, revenue with which to offset the current appropriation.

Taking promotional offerings into account, a variable pricing strategy removes all incentives for manufacturers to offer DeCA their lowest available prices. Under variable pricing, manufacturers would lose the ability to effectively manage price points as well as guarantee that all of their promotional dollars will be passed directly to the patron.

ALA believes price increases to the patron would have the greatest impact on shoppers who are the most price-sensitive. The most price-sensitive shoppers tend to be the lower ranking enlisted and retiree families. Members of this subcommittee in an era where DOD has been raising the basic pay of military members to increase their rate of compensation, why should the burden of operating commissaries to the patron in effect reduce their disposable income? Today a family of four can save over \$200 per month by shopping the commissary. That same family ranks their commissary as the most important nonpay compensation benefit.

Let's not erode the benefit. Simply stated, variable pricing will not work.

On BRAC, ALA urges Members of Congress to protect the interest of all beneficiaries impacted by base closures and realignments including guard and reserve retirees and their families. Mr. Chairman, we support preserving quality of life benefits such as commissaries, exchanges and MWR services that remain at a BRAC installation. ALA believes the interest of all beneficiaries should be included in a demographic criteria for preserving commissaries and other quality of life programs in BRAC installations. Eliminating commissaries, exchanges and other family services at BRAC installations is, in our view, unwise and sends the wrong message to our member service members, guard and reserve, retirees and their families. We urge Congress to not let this happen.

Without the Congress of the United States, we believe that the benefits will be eroded and the military community will suffer. Thank you, Mr. Chairman, and members of the subcommittee for providing industry the opportunity to present its views on these critical topics.

[The prepared statement of Mr. Stanley can be found in the Appendix on page 410.]

Mr. MCHUGH. Thank you, sir. And you stated very accurately, but let me state for the record, we do have all of your written testimony in hand, and it will be without objection submitted in its entirety into the record.

And with that, next, we are pleased to welcome Lloyd Johnson. Lloyd, welcome. Good to see you.

#### **STATEMENT OF C. LLOYD JOHNSON, CHAIRMAN OF THE ARMED FORCES MARKETING COUNCIL**

Mr. JOHNSON. Good afternoon, Mr. Chairman, and good afternoon to all the members of the subcommittee on total force.

Thank you for inviting the Armed Forces Marketing Council (AFMC) to testify today. I will summarize our positions in my remarks, but we have submitted a much more in-depth written statement for the record.

The AFMC, as many of you know, is a nonprofit business league composed of seven small privately owned firms, totaling some 2,800 full time and part time employees. We represent over 400 large and small manufacturers of consumer products to the various segments of the military resale systems and in some cases to MWR as well.

For more than 40 years, our member companies have taken an active role in supporting the military's right to fair compensation in the form of wages and benefits. Today we will focus on commissaries and exchanges. These activities play a critical role in recruitment, retention and readiness. This is especially true when you consider that the U.S. relies on people who volunteer to serve in the Armed Forces. They are only modestly compensated, and they operate in some extremely dangerous locations around the world.

Add to that the intentionally stressful conditions under which they have operated these past 2-1/2 years, and the case for continuing important benefit programs is more than compelling. And not surprisingly, surveys indicate, as others have said, that the

commissaries are the number one nonpaid benefit in the eyes of the military community, even surpassing health care. It is for all of those reasons that we wish to comment on several issues of concern. The first is DOD's continued interest in contracting out more functions than are already outsourced by the defense commissary agency.

In the past, complete privatization has been considered, but that idea has largely been discredited, and there is even a law in the book that prohibits it. But it is important to note that DeCA already contracts or outsources private businesses for those functions that make sense from a cost and management control standpoint and where contractors are available. Examples include delis, shelf stocking, most display building, custodial tasks, most store re-sets and distribution throughout the U.S.

There is no successful supermarket chain in America that contracts out as many functions as DeCA does, but surprisingly, DOD is still looking to expand this practice.

To force DeCA to contract out store management, meat or produce departments or any other function beyond what they already do seriously complicates their ability to deliver goods and services and manage effectively with a flexible workforce. I do not believe Congress would consider outsourcing important functions like staff assistance, constituent services or any other core activities for the same reasons it does not make sense for DeCA.

Finally, the timing is wrong to even consider this strategy when DeCA is in the beginning stages of an extensive reengineering process and DOD is facing issues like BRAC, rapid deployment without families and other force restructure strategies.

In AFMC's opinion, DeCA needs permanent relief from DOD privatization and outsourcing pressures, but at the very least, they should be relieved of this major distraction for the next five years or so in hopes that the defense environment will stabilize by 2009.

Variable pricing for commissaries is another strategy that raises serious concerns. It is a tactic used by virtually all profit-making retailers in the U.S., but as has already been said, DeCA is not a profit-making enterprise. DeCA is part of an important nonpaid benefit structure that happens to sell groceries at cost plus one percent for inventory shrinkage, plus a five percent surcharge to reinvest in modern facilities. Any strategy to raise prices on all or part of DeCA's stock assortment will simply result in taking money out of the pockets of military families. If prices were raised only two percent, the military community would have to spend \$100 million more for groceries each year. Just imagine the headlines that would appear in the Army, Navy and Air Force Times.

We cannot get distracted by claims that variable pricing will equalize the savings from one part of the country to another or that only best value items would be affected or that the average of 32 percent savings is somehow unnecessarily high, as some mistakenly believe. The fact is DOD is trying to raise enough money from servicemen to reduce or eventually eliminate the \$1 billion appropriated fund subsidy for DeCA, and that, sir, we believe is the wrong thing to do.

First of all, that \$1 billion subsidy is one of the most efficient spends in the entire Federal budget, because it would cost over \$2



billion to raise wages enough to give the military community the same buying power outside the gate as they now get by using their commissaries.

Second, how can DOD even consider reducing the number one benefit to our volunteer military families when they are more stressed out and in harm's way today than at any time since the Vietnam conflict?

Store closures are another issue. It is tempting for budget reasons, even before BRAC here, for DOD to want to close some of the smaller commissaries that are inherently somewhat less efficient to operate than large ones and that therefore fall below meeting average unit cost goals, but when 100 or more families are unlucky enough to be stationed at a small base that is too far from a larger base to permit shopping convenience, they should not be penalized by taking away their local commissary.

It is another case of quality of life versus budget considerations. The AFMCA believes that quality of life should be the overriding consideration in decisions to close commissaries.

Total exchange integration is another issue that warrants the close scrutiny of Congress. The current law that prohibits such action was passed for good reasons, and we believe many of those conditions still exist today.

Let me say that based on what we know now, consolidation still does not guarantee that prices will be lower, selection will be better, MWR dividends will be higher or operating costs will be lower. Nor is there yet any assurance that the difficult process of consolidation itself would not interrupt the delivery of the benefit for far too long a period of time.

Exchange consolidation is enormously more complex than the integration process that created DeCA 13 years ago. Instead of merging together 400 "big box stores," all with relatively similar stock assortments, a daunting task by itself, the unified exchange task force must somehow come up with a plan to integrate 40,000 plus stock-keeping units in main stores plus consolidate hundreds of barbershops, restaurants, movie theaters, hotels, concessions, troop stores, military clothing stores, combination convenience and liquor outlets, and even gas stations.

There are numerous experts who believe that bigger is not better in a large percentage of corporate merger cases. So much of those experts are referred to in our written statement.

We want to address one last issue that we believe is finally generating strong support among all the people who can effect the value of the resale benefit. I am referring to proposals for exchanges to be able to sell advanced technology TVs and to build sufficient facilities to display and sell furniture properly. These are very positive moves that we hope Congress will support. These proposals will allow military people to buy high-demand items from on-base facilities where they get advantageous prices, very low interest rates and assorted other financial safeguards from the Star card. And the exchange systems will earn profits that can help badly needed MWR projects.

Interference with outside the gate small business is no longer a viability issue since the vast bulk of this kind of merchandise is today sold through large corporate retailers.

The only thing better than lifting these specific restrictions is to lift all of the restrictions on the stock assortments for exchanges.

Mr. Chairman, in closing, we want to reaffirm our long-standing belief that the resale system is absolutely a core function within DOD. It is a vital part of the overall compensation system, and it contributes to the all-important quality of life of our volunteer force. In these dangerous times in which we live, the resale system makes a measurable difference not only in recruitment, retention and readiness but in the sense of community that is a vital part of the fabric of military life. We urge this subcommittee to continue to support and protect the most important element of our Armed Forces, which is our people. Thank you for listening. I can take questions whenever you are ready.

Mr. MCHUGH. Thank you, sir.

[The prepared statement of Mr. Johnson can be found in the Appendix on page 356.]

Mr. MCHUGH. Next, Mr. Joe Olding, President, commissary division of WEBCO. Welcome, sir.

#### **STATEMENT OF JOSEPH B. OLDING, PRESIDENT, COMMISSARY DIVISION, WEBCO GENERAL PARTNERSHIP**

Mr. OLDING. Thank you, Mr. Chairman and members of the Subcommittee on Total Force. I have been involved with the grocery business for over 35 years, and involved with the military resale system for over 25 years. I have worked for a large grocery retailer. I have worked for two of the top 100 consumer package goods manufacturers. I am a partner in one of the larger military resale brokers. I have chaired the American Logistics Association Commissary Council for five years since DeCA's inception and I have served on the board of directors for three separate occasions, most recently completing my term as vice chairman of the ALA last year.

I was also contacted by the Dove Group for my thoughts on variable pricing and private label.

From these experiences, I believe that I have developed an excellent understanding of the differences and similarities between the grocery retailer and DeCA and how they interact with manufacturers. I am here today to give you my insights into the recent recommendation by the Department of Defense for DeCA to study variable pricing business models and would like to summarize some of the key elements in my prepared the.

Variable pricing has always been a part of grocery retailing. After all, the only way a retailer can cover their expenses and make a profit is to charge customers more than they pay for the products.

It seems to me that DOD's interest in DeCA implementing a variable pricing program is simply a way to shift some of the costs of the commissary system to the users of the benefit, the commissary patrons.

Patrons will pay more for the products they buy and DOD will reduce the size of DeCA's appropriated funds budget. When you consider the fact that DeCA is restricted in the categories of products they sell, selling products at cost is really their main point of difference versus the traditional grocery outlets.

Obviously the central question is whether Congress should entertain any change which would adversely effect the benefit. In my opinion, the answer should be no to variable pricing, because it will reduce patron savings and less diminish the benefit to our military families.

I would like to spend a couple of moments discussing what might be considered side effects of DeCA's variable pricing business model, and I would like to call them maybe unintended consequences.

The first side effect of variable pricing I would like to touch on is the additional cost of effectively administering a variable pricing business model. Today the manufacturing community is responsible for managing DeCA's pricing model, because they really determine what prices DeCA charges for their products. Manufacturers determine this pricing after evaluating competitive issues, both within the commissary system as well as outside the gate. Where regional pricing is appropriate, plans are created to enact regional pricing.

When you think about it, with DeCA implementing the variable pricing business model, they will have to assume the responsibility for determining all these prices. If the average commissary carries 10, 12, 13,000 items, when you start talking about controlling prices at a specific commissary to enact variable pricing, all the commissaries around the country think about the number of pricing decisions that one would have to make. It is just phenomenal.

They would have to have the capability of understanding competitive and retail prices across the country and at the same time, I assume, make a profit. In my opinion, DeCA will have to substantially increase expenditures, both in systems and personnel, to implement any type of competent variable pricing business model.

The second unintended effect could be the reduction in manufacturer promotional support with DeCA. I think Bill Stanley touched on this. Most manufacturers view their promotional dollars as investment dollars. They provide these dollars to the retailers in order to grow their businesses. A variable pricing model implemented similar to an average retailer would include extracting part or promotional monies and dropping them to the bottom line. If this were to occur with DeCA, manufacturers would reduce their traditional promotional spending levels, making products less competitive versus outside the gate.

This would ultimately decrease patron savings and influence patrons into purchasing some of their needs obviously in the private sector.

My third concern to a change in Title X authorizing variable pricing would be the beginning of the proverbial slippery slope. In my opinion, once the law is changed to allow DeCA to make a profit, the annual budget cycle will force reduced patron savings as DeCA is required to make more and more money each year to offset decreasing appropriated dollars.

DeCA has, since its inception, remained focused on servicing the military patron's needs, specifically refining stock assortments, improving savings, working with its trading partner to secure savings in excess of 30 percent for their customers.

In addition, DeCA has done an excellent job of improving the cost of output, obviously controlling their expenses, as was mentioned



in earlier testimony. The DeCA card business model is working very well, as the benefit is either the number one or number two benefit for the military people and their families in spite of the burden of the restricted categories which we talked about earlier in some testimony.

Today the commissary benefit is defined as selling all authorized commissary categories at cost plus five percent surcharge. I strongly recommend for the benefit of the military patron that this definition does not change, which if it would, it would if variable pricing were approved. Thank you very much.

[The prepared statement of Mr. Olding can be found in the Appendix on page 387.]

Mr. MCHUGH. Thank you very much, sir, and next Ms. Raezer, director of Government Relations, National Military Family Association. Welcome.

**STATEMENT OF JOYCE WESSEL RAEZER, DIRECTOR, GOVERNMENT RELATIONS, NATIONAL MILITARY FAMILY ASSOCIATION**

Ms. RAEZER. Thank you, Mr. Chairman, and Mr. Snyder. The National Military Family Association, NMFA, thanks you for the opportunity to present testimony on commissaries, exchanges and MWR programs. We also thank you for your leadership in providing oversight for these benefits and keeping them strong. These programs are key components of the military compensation and benefit package and are essential to the quality of life of the entire military community, active and reserve components service members, retirees, their families and survivors.

NMFA's written statement includes our detailed discussion of issues facing commissaries and exchanges as well as our assessment of the current state of family and community support programs including MWR. It also provides information on the goals agreed to by the 35 members of the military coalition in relationship to these issues.

Military families and their communities are under stress today and thus require a higher level of community support. MWR programs are part of that support package. Core programs such as child care, recreation activities, single-service member programs and the wide range of support offered by installation centers and services such the new military one source must be adequately funded to meet the needs of service members and families, active duty, national guard and reserve wherever they live and whenever they need them.

I would really hope that Ms. Sanchez would ask that question about MWR funding in the Army and the Navy at that hearing on the 24th, because it is also a concern to us.

Military commissaries also meet a vital need for members of the military community. NMFA thanks the DeCA leadership and employees for their support of service members and families during this very difficult year. We also thank the commissary vendors who have helped DeCA provide that support. NMFA thanks Congress for ending the restrictions on guard and reserve access to their commissary benefit and to DeCA for ensuring this benefit change was implemented immediately after becoming law.

You opened the commissary door to the guard and reserve, and DeCA rolled out the welcome mat. The challenges facing DeCA and its beneficiaries this year have demonstrated to NMFA again just how valuable the commissary benefit is.

DeCA's response to wartime needs and to maintaining service during fire, wind and flood demonstrated its commitment to our community. Beneficiaries' reactions to news from DOD about potential commissary closures and other changes highlighted just how much they value the commissary benefit.

Families contacted NMFA to explain just how far away their installation was from other commissaries and civilian grocery stores. Overseas families talked about their commissaries as a touch of home, as a place where they know me. Most of all, families expressed their confusion about why remote locations with the greatest need of commissary benefit seemed to be on the chopping block. Guard and reserve members noted the irony of receiving their unrestricted access just at the time when their nearest commissary was slated to be closed.

NMFA thanks you, Mr. Chairman, and Mr. Snyder, for your understanding of the importance of the commissary to quality of life as evidenced in your opening statements today.

NMFA has encouraged DeCA to reach out to all categories of beneficiaries, and it has done so, attracting those guard and reserve service members and their families, attracting more single service members and young families. We have encouraged DeCA to improve store operations, efficiency and quality and have been pleased to note improving customer survey results and beneficiary savings. These savings, as you have heard, currently average 32.1 percent compared to commercial grocery stores, translating into annual savings of \$2,700 for a family of four. Commissaries are consistently ranked by beneficiaries as one of their top compensation and quality of life benefits. Because of the savings and because of beneficiaries' consistent assertion of the commissary's great value, NMFA believes the \$1.1 billion commissary appropriation is a bargain for the government. We and the families who contact us do not understand why DeCA—why DOD seems to be targeting this particular appropriation for cuts when it provides so much bang for the buck.

Talk of closing their commissaries, of changing pricing formulas that would alter the familiar cost plus five percent, of moving oversight away from their uniform military leaders adds to the stress level of the military community. Beneficiaries want their stores to focus on meeting the needs of their community, not on wondering whether they will be operating next year. Now is not the time to mess with such a critical benefit.

Beneficiaries are beginning to hear of the DOD initiative to consolidate the military exchanges. NMFA appreciates the action of all the exchanges in providing support and touches for home for our deployed service member and looking out for their families at home. We also appreciate the outreach of the United Exchange Task Force for seeking the input of associations and their members about the value of exchange benefit. NMFA cannot take a position on exchange consolidation, however, until we have more information on the costs involved in moving to a consolidated system,

whether or not the consolidated exchanges will be able to provide increased revenues to support MWR and the effects on the flexibility of a local exchange to respond to the needs of a community it serves.

NMFA asks this subcommittee to provide the necessary oversight to ensure that exchanges, whether or not they consolidate, continue to provide appropriate product choices, competitive prices and increased funding for MWR.

As DOD prepares for BRAC or base realignments overseas, we also ask that you help ensure that services remain in place at closing installations until families depart and that the needs of the remaining population, retirees and guard and reserve members, are considered before any facilities are closed.

We also ask that you ensure the facilities a community will need are in place before they receive an influx of new personnel as missions change under BRAC.

True communities are not made up just of houses and places of work. They also include support facilities to provide community interaction and wholesome safe activities. Commissaries, exchanges and MWR provide a financial benefit but also serve as focal points for the community. Because of the high stress of the military community generated by the war on terrorism, deployments that are both lengthening and growing in frequency and the unpredictability of military life today, these services are valued more than ever. NMFA asks you to support those who serve our Nation, either as uniformed service members or their families. To support those who have served. And by ensuring the high quality, responsive support services they need, that these services are available when they need them most. Thank you very much.

[The prepared statement of Ms. Raezer can be found in the Appendix on page 390.]

Mr. McHUGH. Thank you. Appreciate your presence here today. Next we have Chief Master Sergeant James Lokovic, director of Military and Government Relations for the Air Force Sergeants Association. Chief, welcome.

**STATEMENT OF CHIEF MASTER SGT. JAMES E. LOKOVIC (RET.), DEPUTY EXECUTIVE DIRECTOR AND DIRECTOR, MILITARY AND GOVERNMENT RELATIONS, AIR FORCE SERGEANTS ASSOCIATION**

Sergeant LOKOVIC. Thank you, Mr. Chairman, Mr. Snyder, and Mr. Schrock. Thank you for having the marshall discipline to stick with us through this relatively long hearing and for this opportunity to talk briefly about MWR programs, commissaries and exchanges, programs so important to military members that those who are charged with administering them should be before this committee enthusiastically encouraging increased spending and expanding these benefits. Because that hasn't happened in recent years, we are so grateful that this committee has taken up the torch to serve as the champion of this Nation's defenders and their families.

To AFSA and its partners in the military coalition, it comes down to a fundamental question. Does this Nation honor those who defend it and step up to fully fund a real benefits program for them?



Of course implicit in that question is an important statement, and that is that some government programs should be off limits and should be treated as matters of national priority.

The programs we are discussing this afternoon are such benefit programs.

While my written statement touched on a range of topics, in this brief statement, I want to explore one DOD proposal about which we too are skeptical, and that is the variable pricing to be applied in our commissaries. As Mr. Abell partially explained, this is a pricing scheme used by civilian marketers to generate profits, which may or may not work. It is a common practice there to lower the prices on some products to draw customers into the facility while raising prices on others to increase overall profits.

Despite the sentiments of this committee, DOD has spent half a million dollars to study variable pricing, money that might well have been better spent. In our mind, when you consider fundamentally changing one of the greatest nonpaid benefits just to lower an appropriation, you are walking on dangerous ground. And as a side note, moves like this always create trepidation in the force.

Several questions need to be answered in regard to variable pricing, and frankly we have to be prepared to live with the answers that we come up with.

First, what has changed that is driving a look toward variable pricing, especially at a time when we are at war? For years, DeCA and DOD have told us that one of the primary reasons for commissary savings has been that they do not use civilian pricing schemes. Basing the benefit on the wholesale cost without the manipulation is the real reason for the savings. What has changed? Why now?

Second, since one undisputed goal of variable pricing in commissaries would be to eliminate the \$1.2 billion annual commissary appropriation, one would have to ask why. This committee has told DOD that this is well worth the investment and that there is no desire to lower this particular appropriation.

Keep in mind that this appropriation has not grown, in real terms, since DeCA was formed in 1991. In fact, once you factor in inflation or look at its proportion to the defense bill, the DeCA bill has actually decreased. Why then is there a drive to disregard that fact and do it anyway?

Third, why not allow General Wiedemer and DeCA to continue to run up the savings as high as they can by using good business practices? Why not get the most benefit from the investment that this committee and this Nation makes?

DeCA says current average savings in commissaries is 32 percent of civilian markets. DOD says the average is based on some savings being more and some savings less, as we heard this afternoon. DOD suggests we ought to make sure all get the same by using variable pricing, but you can't do that mathematically without lowering the average overall savings. It doesn't work. This isn't about benefit balancing. It is to shave off savings to lower the appropriations.

And what factor is going to be used to decide what the specified cap or level ought to be of those savings? Remember, the higher the nonpaid benefits are, the greater would be the government argu-

ment to hold compensation down in other areas. Something simply doesn't make sense.

Finally, because we interface with some of those sitting at this table who supply commissaries, we know that some producers routinely provide commissaries with good deals that are passed on as further savings to military customers. Some do this only because there is no price manipulation. Some do it for patriotic reasons. Some do it to test the acceptable prices of products, but we are pretty certain that if you insert profit-driven manipulation, you will drive away these good deals and the benefit will be even further reduced.

In short, we would suggest that variable pricing wouldn't work in commissaries. It can't eliminate or significantly reduce the appropriation without degrading or possibly destroying the benefit. At the least, the end result would be more money out of the pockets of the average military consumer.

Additionally, shifting the burden of operating commissaries from the American taxpayer to the few who are willing to defend and die for their nation is just plain wrong thinking.

Again, Mr. Chairman, Mr. Snyder and Mr. Schrock, thank you so much for listening to the military members who find these benefits so important to the quality of their lives, and we would like to thank each of you for being supporters and for your firm commitment to America's heroes. Thank you very much.

[The prepared statement of Sergeant Lokovic can be found in the Appendix on page 376.]

Mr. MCHUGH. Well stated. I couldn't agree more. And thank you, all of you, for your service, because it is very real, and the contributions you make to the well being of our men and women in uniform, their families, is critically important particularly at this very, very challenging time.

And let me just say to Ms. Raezer, I, too, hope Ms. Sanchez pursues her questions. She brought it up. I suspect she will, but if she doesn't, I guarantee you someone will with respect to that drop in commitment on the appropriated funds—

Ms. RAEZER. Thank you very much.

Mr. MCHUGH [continuing]. In two of our very respected branches of the United States military.

Let me just touch on variable pricing again. Let me ask, I guess, three questions. My understanding of the process—and they say a little knowledge is a dangerous thing, so I run around this hill some days the most dangerous person in America, and it is probably true the intricacies of pricing or product on a grocery store shelf. It seems simple, but once you get into it, it is like heart surgery. Much more complicated than the surface would suggest. But is there another reason—the only reason I am aware of to do a variable pricing scheme is to either affect profits or to raise prices. I mean, commissaries don't make profits, as the secretary correctly pointed out, so if you are going to charge more, presumably, presumptively the appropriated support would necessarily have to be less. But if there is another reason to do that kind of variable pricing scheme, in your opinion, I would like to hear about it.

And the other two parts of that would be—I hope I didn't overstate the unique relationship between those who sell to the com-

missaries and the commissaries themselves. I think for most of you, you walk in and you give best price plus. You are very, very different—the commissaries are very, very different than I expected the transactions between you and profit making businesses.

If that relationship were put asunder, would it, in effect, upon how you would approach and how prices would be determined with respect to the commissaries and your sales to them?

And last, if all of a sudden you have variable pricing—and I should have asked the Secretary this. If you have variable pricing, the soldier, sailor, marine, airmen, airwoman, Coast Guardsman or woman now knows or is questioning are they receiving the best price? Right now when you walk in that door you know what you are going to get, and it is the best price, 32-plus percent. But now aren't they going to start comparison shopping and, you know, I will buy this here and I will go around for something else and they are running back and forth and that denigrates the convenience of it, but it also denigrates the confidence, does it not? And doesn't it jeopardize sales theoretically? And whoever wants to jump all over that in whatever order, I will be happy to hear from you.

Mr. OLDING. Let me comment on the relationship with the manufacturing community and DeCA and the impact that it has on the pricing model itself.

As most things, over time people get used to doing business a certain way, and manufacturers have been doing business with the commissary system for a long, long time, and they know that if they give DeCA a price, that price will be reflected to the customer.

What is significant about that is that manufacturers today want to optimize their return on investment with their promotional dollars. So they know in the military that they can actually take a promotion or a price, call it a lower price and they may sell somewhere else, and that is going to drive share. Where in a traditional retailer they may have a number two position in a marketplace, but the prices that they may give that retailer would not be reflected. They can actually drive share in the military by their pricing model because they can control the prices.

You change that dynamic. You change that dynamic. It makes the manufacturers start to ask a lot of questions about, well, what is the benefit now of investing in this particular entity.

The other thing I will mention to you is there is what they call, matrix management now with the manufacturers, and they quad out whether a business is a growing business, a declining business, a status quo business and a cost of doing business. And of course, the commissary system today is really not a growing business, so it is not going to reach high in the quadrant in terms of interest for manufacturers from that perspective, but what they do like about it and what we go back to them and say the reason to continue to invest in it is because there is that 100 percent pass-through of those promotional monies. Change that dynamic, and it changes a lot with the relationship of the manufacturer. And, quite frankly, I think that is going to impact and decrease patron savings.

In the context of variable pricing, even if there is a way to do zero sum gain in terms of how you priced on regular, that promotional impact would I think be devastating.



Mr. MCHUGH. So even if you use variable pricing for a net no gain or loss, in other words——

Mr. OLDING. Can you do it?

Mr. MCHUGH [continuing]. It is a baseline, if you could do that—I am not sure you could, because not everybody buys the same thing in the same quantities, but if you could do that patron to patron, the relationship would have a denigrating effect on prices, in your opinion.

Mr. OLDING. Absolutely. I would also suggest it is probably possible to have a zero sum gain on variable pricing, but the resources you have put against it. I mean, think about the personnel you would have to put in place to manage price points all across the country, and then balance those price points, those you raise with those you decline, to get the zero sum gain. It would take a phenomenal amount of investment in personnel and systems that quite frankly wouldn't be worth it.

Mr. MCHUGH. Management-intensive means higher cost. Okay.

Anybody else? Lloyd.

Mr. JOHNSON. I agree with everything that Joe said, and I would add that this notion of evening out the savings in different parts of the country for the servicemen, that was brought up in the first panel. That is not the right approach. The right approach is to have consistent pricing across the country for servicemen, whether they ever, in Arizona or New Jersey, not try and figure out a very complicated scheme to have consistent savings, because you are always going to be off, but you can always assure the patrons that you can have pretty darn consistent prices across the country with the current system. And I think that is what fairness is all about, and that is what satisfies the patron. You start messing around with the shelf prices just for somebody's notion of what is fair in one area and not fair in another, that is going to produce an endless debate in people's minds.

Mr. MCHUGH. Thank you.

Ms. Raezer.

Ms. RAEZER. Mr. McHugh, we are still waiting for some kind of firm statement of the benefit of available pricing to the beneficiary, and we haven't gotten that yet.

I agree with your third point. I think when I started working at NMFA and following this issue, back several years ago now, and we were hearing from a lot of our junior service members and their families, well, I can get this item cheaper at Wal-Mart or I can get this, and thanks to the outreach and education campaign that DeCA has done, our junior families may still say that, but they know enough now to say, but if I look at everything I buy altogether, I am getting the best deal at the commissary for what I need for my family. That message about cost plus five percent is becoming ingrained in their knowledge because of the outreach. The message about the savings, as the savings have gone up, the families have been more aware of that.

And while you still hear every once in a while, "I can get a certain item someplace else cheaper," they now say "but I know I get the best deal or all for everything at the commissary, and so that is where I am going to shop." And so I agree that putting in the variable pricing strategy, that will bring us back to square one. We

would undo all the good education that DeCA has done, that the Department of Defense has done, that beneficiary associations have done to bring those young families in where they can get the most for their money. That \$2,700 average savings for a family of four is compensation to them, and we want to preserve that. I don't see anybody asking for a \$2,700 raise for people. They get that. And not only the active force, the retirees and survivors get it as well. This is good, and we want to keep this, and upsetting that basic strategy hurts that.

I think you are right that there is a unique relationship between the vendors and the commissaries. I see that as a beneficiary. I go into the commissary and see promotions targeted at me as a military family member that recognize the service my service member performs and my role as a family member. I see the money the vendors put in. They are businessmen, but they are cricketing to the community as well. They are getting a good price, but they are giving a good price for them, but they are contributing. They provide money for scholarships for military children. They are helping our community. And if changing the price structure jeopardizes that assistance they are providing to the military community, I as a military beneficiary am concerned.

Mr. MCHUGH. Yeah. And I would like to emphasize that. 12 years ago I went and told my predecessor, who was seated in the back, but I don't see him right now, Dave Barton taught me how to spell MWR, let alone what it meant. I have been absolutely flabbergasted at the relationship between the private sector, the industry and the commissary as well as the exchanges. Look, everybody is in this for a profit. This is a capitalist Nation. We all support that. But the vendors and the manufacturers up and down the line on the private sector side really feel, with great justification, they are making a contribution to the national defense of this Nation, and they are.

And I would hate to lose that, and I don't know if you can put a price tag on it, and I am not saying that change is impossible in every way because you will somehow upset that delicate balance, but I think certainly when we are talking about variable pricing, I think it is more than just tinkering at the margins. I am very concerned about its impact.

Mr. Stanley, you wanted to say something, sir?

Mr. STANLEY. Yes. I am also a manufacturer and variable pricing, the other reason for the variable pricing scheme as utilized by outside the gate grocery channels is to compete against each other. They will reduce the price of one item to draw people in their stores, but they make that money back up on other items within the store. So it is called loss leaders.

That would be the other reason. DeCA does not advertise, so they do not have the benefit of utilizing that scheme.

In addition, there are other items that are stocked in a grocery store that they can make money back on if they have lower prices on their core items that are not sold in the commissary, such as umbrellas, alarm clocks, some of these other items that you will see on the front end in a grocery store, impulse-type items.

Pricing would change. As a manufacturer, if I bring a dollar into DeCA to pass on to the patron, it gets passed on to the patron. If

I bring a dollar into DeCA under variable pricing scheme and it gets passed on to my competitor or another product group, I will not bring that dollar to the commissary. It doesn't make sense for my company to invest that kind of capital on other people's products. And I think you are absolutely right. People will competitive shop. They know that sometimes they can get things cheaper in the commissary, get them cheaper outside. Or if the commissary raises their prices on items at times, people will start viewing the commissary as just another grocery store.

Also you should know this. It costs us more money generally to do business in Alaska and Hawaii because of the freight to get the product there, but you will also notice that when we run specials, we run a one-world price. So people in Alaska and Hawaii generally, on my line of products, will get the product at the same price as people in Washington, D.C.

Mr. MCHUGH. So as Lloyd Johnson said, that dollar you bring in you know is going directly to the potential of increasing market? Which is important.

Mr. STANLEY. Absolutely. And by the way, the patron generally is a younger family, highly impressionable. We are trying to get them sold on our brands, and that is a good investment for my company to spend money with them. So we do things a little different. It drives a little different behavior as we relax some of our policies to promote with DeCA and the commissaries.

Mr. MCHUGH. So a large share of the incentive to bring in those bonus reductions, however you choose to term them, is lost.

Mr. STANLEY. Certainly, sir.

Mr. MCHUGH. Thank you all very much. The ranking member, Dr. Snyder.

Dr. SNYDER. Mr. Chairman, I don't think I really have any questions. I was just going to make the comment, Master Sergeant, in your written statement, you use as an opportunity to talk about child care centers, which I think is really important, and I appreciate you mentioning that. I know, Ms. Raezer, we have had that discussion a year or two ago before we had to reorganize the committees. And I just think they are really important. And we spent, I think, a lot of time talking about the privatization of housing and all that, which I think is really important, but this child care center is a huge one, particularly when we have got families now with both husband and wife are gone, and so it is a huge issue. But thank y'all very much for being here.

Mr. MCHUGH. I thank the gentleman.

The gentleman from Virginia, Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman. Thank you all for being here. I am glad General Downs stayed, and I am glad Admiral Maguire stayed. That speaks volumes about them and how they care about this issue. I only wish the two Secretaries from the Pentagon had stayed, because I think they would have heard things here that might make them change their mind. And I guess my cynical mind makes me think they didn't want to hear that, and that is unfortunate, and quite frankly, I think they made up their minds and we have to do everything we can to change that and watch them very, very carefully, or this thing is going to happen. I really worry about that.



I had questions I could have asked, but I know the answers to them, and I hope you know I know some of the answers to them. But the two issues that really bother me are the variable pricing and consolidation. To me that is just another word for privatizing, because I think the bottom line is that is exactly what they want to do. And it seems to me there are so many problems in this world right now that need attention from the Defense Department. Why in the name of common sense they are picking on these kind of issues is a total mystery to me.

I just don't get it. I have great respect from the top down, but I just don't—it is like I heard somebody say that—somebody who was in charge of one of the agencies one time used to spend his time going in and squeezing the lettuce. He had no business doing that sort of stuff. They need to be taking care of the big stuff and leave the things like quality of life issues to us. I mean, if you don't—if we erode those quality of life issues, Mom and the kids aren't going to want to hang around very long, or if the wife is the member, the husband or the kids don't want to hang around very long.

We have got to do everything we can to not only keep them but enhance them, and I think we are doing that with a lot of the new housing. I can assure you the new commissaries and exchanges in the district I represent are unbelievable. They are absolutely wonderful. And I use them. I am retired. I use them. I got this wonderful haircut at the exchange, and I can't imagine—isn't it wonderful? I just can't imagine not having that benefit, frankly, and I really appreciate you all coming here and appearing before us, and of course I know Lloyd Johnson very well and have met with him many, many times on this issue. And Boyd Raines, who has been very involved in the ALA, happens to live across the street from me, oddly enough, and so I have to go by his house to get to my driveway, so I hear this issue all the time, as you can imagine. And I think it is one everybody needs to hear.

I really respect and admire the Chairman for focusing on this, because if you had a chairman in that seat who didn't feel like this, it could be a real problem for us, so we have to hope he sticks around for a long time or whoever follows him has the same feeling toward this.

So, again, I thank you for being here and what you do for our folks, and believe me, we will continue to support you in any way we can. Thank you. Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentleman. And it is a nifty haircut.

Mr. SCHROCK. You are just saying that because it is true.

Mr. MCHUGH. Well, worth every dime you paid for it. Just kidding.

Let me ask you a quick question, because we are going to have a vote here pretty shortly. I don't know as you did, but perhaps you heard my comments to Secretary Abell about the process of evaluating the consolidation of the exchange systems, about open and consultative, ET cetera, ET cetera. Any comments? I believe I heard the Secretary state that he agreed with those standards and the objectives within the process. How is it going? Is it open? Have they been consulting any or all of you that have an oar in this

water so to speak, or do you have any observations, criticisms, critiques or whatever?

Sergeant LOKOVIC. We visit a lot of bases and talk to a lot of troops, and I can tell you that a lot of the questions that are being considered are being considered up at this level and not down at the level of the people that are directly affected. Either through surveys or by directly approaching people—and Joyce might know that a little bit better, because she gets informed in that.

But from our experience, I don't know that the consultation is including all the players or stakeholders as you called them that are involved—should be involved in the process.

Mr. MCHUGH. Have they supported you, your organization?

Sergeant LOKOVIC. No.

Ms. RAEZER. Well, they have with the committee from the military coalition. So it is several—quite a few associations have participated in discussions with the task force. It has been presented—the whole process has been presented to us as we are looking at how to implement exchange consolidation, not study whether or not to do this, but how do we do this.

And the exchange task force has recently stood up a Web site. They have started sending communication out to members of the military coalition saying get information out to your beneficiaries. We want to hear from you. What is important about your exchange benefit? We have had some of our volunteers who went to the Web site and submitted comments. They have gotten very respectful responsive answers back from the task force saying we are going to consider all of this.

Our folks seem to be most concerned about things they have always been concerned about with the exchanges. Are they the right product mix for my community? Am I going to be able to walk in the exchange and find the hot choice for Christmas that my children want, the Match Box toys at a lower price than down at the toy store downtown? Am I going to be able to find trash cans and containers when I move and need more things in my kitchen? Am going to find clothes for my teenager? Am I going to find things at the price level that I can afford, that I don't need designer jeans for my 3-year-old. I need clothes that are sturdy and I don't have to pay a lot for because he is going to outgrow them in a little while.

So those are the kinds of issues that I think a lot of our folks are concerned about rather than this big picture exchange consolidation. But the task force is trying to keep associations informed, any association that hasn't heard from them yet, all they would have to do is say we would like to have a briefing and I think they would do it.

So in terms of the associations and the beneficiaries, I think they are trying to get the word out. The problem is we don't have a good feeling about what this means to the beneficiary yet.

Mr. MCHUGH. I understand you to say you are concerned that the process is not considering should we do it but how we do it. Did I—

Ms. RAEZER. That is my sense, yes.

Mr. MCHUGH. Well, that is all we have in this moment, our senses.

Lloyd.

Mr. JOHNSON. I would agree with that, although I must—I mean, there is a sense that it is—on the part of the Defense Department, that it is going to happen, not that it is being studied.

On the other hand, I have to say General Wax has been open to meet with the folks in the industry that I work, and we have met with them three times. Essentially we have been asking a lot of hard questions and trying to, you know, assess the risk that is involved. We have been assured by General Wax that there are processes in place to find the answers, but I suppose in some degree of fairness those answers aren't all available yet because all the studies aren't done.

But we remain skeptical that the case can be made, but there is a sense, though, that the train is pretty far down the track already.

Mr. MCHUGH. Mr. Stanley.

Mr. STANLEY. Yeah. We believe that there hasn't been a business case made yet for the consolidation. We have had dialogue with the people that are studying it.

One day, though, I hope that when people are thinking of these things to do, that industry would get in on the ground floor. We have a lot of expertise that resides in our Association amongst our members that can help understand the pitfalls and risks before it becomes a full-blown study. So in the hypothesis stage, at some point I hope we are consulted.

Mr. MCHUGH. Well, and I appreciate that, and it is certainly important.

You heard the first panel. I mean, there are concerns amongst the military about the different cultural aspects, Navy versus Army, et cetera. Is the primary only secondary? The business case, is that what you are concerned about? Do you have others?

Mr. STANLEY. Well, I have another concern. We have a lot of small businesses that are a part of the Association with the combined service, who would limit the number of contracts. A lot of the smaller businesses will be damaged by that. They will not be able to get some of these contracts.

Mr. MCHUGH. Because you—

Mr. STANLEY. They are little in size, and the larger companies will get more of the contracts.

Ms. RAEZER. We are concerned about the cost of the consolidation itself. You heard some of that in the first panel, where we have, you know, personnel who are supposed to be delivering a benefit now, who are being tasked to perform duties related to the consolidation study or whatever. And we are concerned about that, because we need folks focused on the benefit.

And so we would hope that those—and so there are costs to this process. We would hope that those costs aren't being met out of MWR funds. Our communities need the MWR revenue. And so we are very concerned that those costs might have an effect on the MWR revenue.

Mr. MCHUGH. There is your call from the Governor; you have been reprieved.

Lloyd, did you want to say something?

Mr. JOHNSON. I was just going to say, it really comes down to if a case can't be made that prices will be lower, selection will be



better, MWR dividends will be higher, or operating costs will be lower, it needs to be scrapped.

Mr. STANLEY. Agree.

Mr. JOHNSON. It is that simple.

Mr. MCHUGH. I have got one more question. We will be back in about an hour.

Mr. STANLEY. I will be here.

Mr. MCHUGH. Unless someone would like to weigh in? Thank you all very, very much, both for being here today and for really a very direct—and I was very sincere about that—a very important contribution to the United States military, to the men and women in uniform. And you serve in a very unique and a critically important way. And I deeply appreciate it and vastly admire it.

And I can't tell you exactly how everything is going to come out in the end. But I hope you believe when I say all of us on this panel, and certainly all of us on the full committee, and I believe, at the end of the day, everyone in the House, want to be your partners in that vitally important role and want to have the best for our men and women in uniform, particularly at this point in our Nation's history. And we look forward to working with you.

We may, if it becomes appropriate—and I would extend this request to the first panel—as well submit some questions for the record in writing. If that should be the case, if you could respond at your earliest convenience, we would greatly appreciate that so we can have a complete hearing record on these issues.

So, absent any other further comments, we thank you. And the subcommittee stands adjourned.

[Whereupon, at 5:42 p.m., the subcommittee was adjourned.]

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# **A P P E N D I X**

MARCH 3, 2004

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**PREPARED STATEMENTS SUBMITTED FOR THE RECORD**

MARCH 3, 2004

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CHAIRMAN MCHUGH  
OPENING STATEMENT  
TOTAL FORCE SUBCOMMITTEE  
EXCHANGES, COMMISSARIES, AND MWR PROGRAMS  
MARCH 3, 2003

Good afternoon. The Subcommittee is honored to turn its attention to a series of issues of great importance to service members and their families—the military resale programs and morale, welfare, and recreation or MWR activities.

I have just returned from Afghanistan and can confirm that these programs play a critical role in relieving the stress and providing that touch of home that is so important to the troops on the front lines of the War on Terrorism.

Perhaps even more important to the individual warrior than his or her personal welfare is the need for a level of comfort that the family members they leave behind are secure in a quality environment at home. This is the real measure of the value of a benefit in time of war. I would submit there are few factors that contribute more to readiness and combat capability than relieving



the service member of concerns about the welfare of his or her family.

It is part of the military's ethos to create a community that service members turn to for support and commissaries, exchanges, and MWR activities are critical elements of that military culture. That culture has produced the wonderful armed forces that continue to fight with courage and skill in Iraq, Afghanistan, and trouble spots around the world. The connection between these pillars of the military community and our stunning battlefield victories is very clear in my mind. Family readiness equals military readiness.

I am increasingly concerned that some people in the Department of Defense do not see commissaries, exchanges, and MWR programs in the same way as I do. There is some evidence that these programs are now seen as a drain on the budget and not worth their cost.

Let me be clear in my belief that these programs are worth every penny that we invest in them. These are powerful readiness

generators and retention tools that reach into every military home. I will resist any effort to seek budget savings in these programs that result in the reduction of services or benefits.

That having been said, it is the responsibility of all managers to be more efficient and effective, but such improvements must not be at the expense of service members and their families.

Before introducing our witnesses, let me offer Dr. Snyder an opportunity to make an opening statement.

Let me welcome our first panel:

**Honorable Charles S. Abell**, Principal Deputy Under Secretary of Defense for Personnel and Readiness

**Major General Kathryn G. Frost**, Commander, Army and Air Force Exchange Service

**Rear Admiral William J. Maguire**, Commander, Navy Exchange Service Command

**Note:** I would like to mention that this will be the last opportunity for Admiral Maguire to testify before the subcommittee. I believe he will be retiring shortly. Please accept the gratitude of the Subcommittee for your service and our best wishes in the future for you and your family.

**Major General Mike Wiedemer**, Director, Defense Commissary Agency

**Michael P. Downs**, Director, Personnel and Family Readiness Division

Secretary Abell, please proceed.



Let me welcome our panel:

**Bill Stanley**, Chairman of the Board, American Logistics Association

**C. Lloyd Johnson**, Chairman of the Board, Armed Forces Marketing Council

**Joe Olding**, President, Commissary Division, WEBCO

**Joyce Raezer**, Director, Government Relations, National Military Family Association

**Chief Master Sergeant James E. Lokovic (LOCK-o-vic)**, Director, Military and Government Relations, Air Force Sergeants Associations

Mr. Stanley, please proceed.

**STATEMENT OF THE  
HONORABLE VIC SNYDER**

**HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE**

**OVERVIEW AND STATUS OF MILITARY  
COMMISSARIES, EXCHANGES, AND MORALE,  
WELFARE AND RECREATION (MWR) ACTIVITIES**

**March 3, 2004**

Thank you, Mr. Chairman. Let me take the opportunity to join you in welcoming our witnesses to today's hearing.

As we all know, thousands of service members are currently deployed to operations around the world. Iraq, Afghanistan, Bosnia, Kosovo, and the Philippines, are just a few of the areas in which troops are deployed. These are not places where you can drive down the street and find a Wal-Mart or fast food restaurant to get something you may need. For service members the morale, welfare and recreation (MWR) activities that are provided by the Department of Defense and the Services remain an important contributor to military readiness. It was true when I was a young Marine stationed in Vietnam, and it remains true even more today.

Yet, there are many differences between then and now. More service members are married, a significant number of these families live off base in civilian communities, and many military

families, like civilian families, have both parents who work outside the home, which is why access to military commissaries or exchanges, and MWR programs are also important to the families left behind.

However, while some things have changed a lot remains the same. Perception and family satisfaction of the quality of life in the military community remains an important contributor to recruitment and retention. This is also true for the reserve component personnel and their families, who are making meaningfully contributions to our deployed forces.

At a time when we are demanding more sacrifices from our forces, we should not be taking actions that would adversely impact their perceptions of the military's quality of life.

This not only means changes in regulations, policies or legislation that reduces or marginalizes the benefit, it also means not sending messages to the troops and their families that would suggest such changes are being considered. After all, perception is often seen as reality.

The commissary and exchanges are an important part of the military community. We must take no action that would reduce their role. It is true that military compensation has improved over the years, but not to the degree that we can forget the contribution of non-monetary compensation. While there should always be



measures to evaluate and assess efficiencies in providing MWR services, it is important that we understand the consequences of a proposed action before it is implemented.

As we look at these essential elements of the military community, it is time to evaluate the criteria for establishing and retaining military resale activities at military installations. The character and demographics of some military installations have changed and that factor must be considered. For example, a combined store was authorized at Homestead Air Reserve Base as a result of BRAC 95. Recently, the Defense Department decided to relocate the US Special Operations Command from Roosevelt Roads to Homestead. As a result, the process should allow for the re-evaluation of the nature and quality of the MWR benefit that will be provided at Homestead.

As I mentioned last year, I continue to encourage the maximum appropriated fund support for category A and B activities. It would provide another incentive for the exchange system to focus more on providing services to authorized patrons and less on profits that feed the dividend pool.

Thank you, Mr. Chairman. I look forward to hearing from our witnesses.

**WRITTEN STATEMENT**

**BY**

**HONORABLE CHARLES S. ABELL**

**PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE**

**(PERSONNEL AND READINESS)**

**BEFORE THE**

**SUBCOMMITTEE ON TOTAL FORCE**

**OF THE**

**COMMITTEE ON ARMED SERVICES**

**U.S. HOUSE OF REPRESENTATIVES**

**ON**

**March 3, 2004**

Mr. Chairman and members of the Total Force Subcommittee, I welcome the opportunity to appear before you to discuss the Department of Defense commissary, exchange and morale, welfare and recreation (MWR) programs. The resale benefits, MWR activities, and other community programs form the fabric of the military support structure in 300 military communities and 200 forward deployed locations around the world.

Our resale and MWR programs are sound. Today, the Defense Commissary Agency (DeCA) and the Armed Services Exchanges are delivering the commissary and exchange benefits by providing affordable goods and services, primarily through traditional store formats. The exchanges also provide health and comfort items for deployed personnel, make the benefit more accessible to authorized patrons through catalog and Internet services, and provide important financial support to our MWR programs. MWR programs provide a full spectrum of mission, community, recreational and leisure time activities to support and enrich the daily lives of our Service members and their families.

The commissary and exchange benefits are important non-pay compensation and are two of the many military community support services available to our men and women in uniform. The Department's leadership and the military personnel who are served by these programs value your advocacy and support for these benefits. You recognize, as do we, that commissary and



exchange benefits and MWR programs are crucial to the quality of life of military members and military families.

Everywhere I go on my visits to military communities, I hear of the tremendous need for commissaries, exchanges, and MWR activities. These programs are one of the few benefits that may be exercised equally by all eligible beneficiaries – Active, Guard and Reserve members, retirees, and their family members. I applaud that the Subcommittee is hearing testimony from beneficiaries today. Our military community members provide the most persuasive testimonials to the importance of these programs and the effect that the resale benefits have on the family's choice whether or not to continue a military career.

In today's uncertain world, the commissary and exchange benefits are of paramount importance to the Active, Guard, and Reserve members and their families. Since I testified before the Total Force Subcommittee last April on resale activities, we have had a busy year in quality of life programs. I'd like to take some time to review our successes, our ongoing initiatives, and the challenges for the future.

- We are directly serving our military engaged in the Global War on Terrorism and are supporting their families at home;

- We are actively managing the commissary, exchange and MWR programs, funding, and capitalization;
- We are fully engaged in transformation planning for BRAC 2005 and the Integrated Global Basing Strategy and implementing the Social Compact goals.

## **SUPPORT OF MOBILIZATION AND DEPLOYMENT**

### **On the Front**

Exchange and MWR personnel, including nearly 600 civilians, are serving with our troops at forward-deployed locations. These dedicated personnel are operating exchanges, ships stores, and recreational programs-- often 24 hours a day, seven days a week -- in the Persian Gulf, the DMZ, the Gulf of Aden, Iraq, Tajikistan, to name a few. This endeavor is made possible thanks to the congressional appropriations, assistance from DeCA's distribution systems, strong support of our industry partners, and donations from the American people.

Donations. The American people have responded to Operating Enduring Freedom and Operation Iraqi Freedom with an outpouring of support for our troops and their families. Americans from every walk of life have extended a helping hand and generous spirit. Elementary school children are writing letters, Girl Scout troops are donating cookies, church groups are making quilts, and community service organizations are donating telephone calling cards and

frequent flier miles. Corporate America donations are growing and helping to sponsor family reunions, special televised tributes, and celebrity entertainment. This support has been key to the continuing upbeat morale of our troops.

Morale, Welfare, and Recreation. Our Service members are performing tough duty in austere locations, while their families cope with the stress and anxiety associated with extended separations. The Services deserve credit in recognition of the fine job being done.

The Services continue to improve their capability to support troops in deployed locations, recognizing that recreation supports the military mission by sustaining morale and fostering unit cohesion. The Army has established 25 large and 17 small MWR sites in Iraq and 3 MWR support locations in Afghanistan. The MWR standard is now to provide fitness and sports equipment, reading materials and continuing education support, movies, video and board games, special events generated by the deployed staff, entertainment through Armed Forces Entertainment and the USO. There are computers at free, MWR-operated Internet cafes, to support e-mail communication, which are operating at 124 locations in Iraq with another 53 locations to be added by this summer.

In addition, the Services continue to send MWR specialists (military and civilian) to troop concentrations, to include large Navy vessels, to organize and manage MWR programs. Commanders recognize MWR programs and field exchanges are vital to sustaining morale during lengthy deployments where troops



must remain aboard ship or on the installation to maintain adequate force protection. The assignment of personnel trained to manage these programs has dramatically improved the quality and sustainability of MWR in deployed locations.

Armed Forces Entertainment. Armed Forces Entertainment, in cooperation with the United Services Organization (USO), continues to provide much welcomed celebrity and professional entertainment to our forces engaged in the war on global terrorism. Robin Williams, Robert De Niro, Conan O'Brian, David Letterman, Drew Carey, Arnold Schwarzenegger, Gary Sinise, Paul Rodriguez, George Gervin, Bruce Willis, Lee Ann Womack, Miss Universe, several NASCAR and WWF stars, and several NFL cheerleading squads are some of the many celebrities and entertainers who have generously donated their time to bring a taste of home to deployed forces.

Field Exchanges. There are 52 Tactical Field Exchanges, 69 exchange supported/unit run field exchanges, and 15 ships' stores in the Operation Enduring Freedom and Operation Iraqi Freedom theaters providing quality goods at a savings, and quality services necessary for day-to day living. Goods and services offered include phone call centers, satellite phones, internet cafes, video films, laundry and tailoring, photo development, health and beauty products, barber and beauty shops, vending and amusement machines, food and beverages, and name

brand fast food operations. Goods and services vary by location based on troop strength and unit mission requirements.

Telecommunication. It is a longstanding Department of Defense practice for Service members to be able to make subsidized or free telephone calls home. The frequency and duration of Health, Morale, and Welfare calling using official phones are determined by the commander so as not to interfere with the mission.

The Fiscal Year 2004 NDAA requires that prepaid phone cards, or an equivalent telecommunications benefit, be provided without cost to Service members serving in Operation Enduring Freedom and Operation Iraqi Freedom. The telecommunications benefit may not exceed \$40 or 120 calling minutes per month. The Secretary of Defense may accept gifts and donations in order to defray the costs of the program. The program terminates September 30, 2004.

On the average, 50,000 Health, Morale, and Welfare calls are made each day using the Defense Switched Network (DSN). The Health, Morale and Welfare calls provided at no cost to members serving in Operation Enduring Freedom and Operation Iraqi Freedom approximate \$9.36 per member per month. The Military Departments report the value of donated calling cards approaches \$1 million a month, or about \$5.19 per member. In addition, we will consider the value of email and Internet communications services provided at no cost to the deployed personnel.

An average of 315,000 minutes of daily calling is made over “unofficial lines” at exchange operated calling centers ashore and afloat where members pay for the calls. The unofficial calling rates have dropped from \$.375 to \$.32 per minute at calling centers and from \$.90 to \$.76 per minute on satellite phones used in remote areas. Shipboard, calling rates are still \$1.00 per minute. As we implement the Act, the exchanges continue efforts to reduce the cost of calls from the theater.

While theater conditions are not ideal to provide “calling anytime, anywhere,” we are committed to expanding available service as infrastructure becomes available. We have mounted an information campaign to insure that members choose the most economic calling method available and are looking at more convenient ways for the American public to purchase and donate the best value of calling minutes to Service members.

### **On the Homefront**

Military families are a top priority for the Department, especially those affected by deployment. The Department is sensitive to the hardships and challenges faced by military families when the Service member is away from home for a long period. Within the military community, the Army, Navy, Air Force and Marines have exceptional family support systems that help families cope with the demands of military life. In addition, MWR provides families with sources of recreation to ease the stress experienced by family members at home.



Reserve families who live across America present a particular challenge. An aggressive effort to reach Reserve families is underway.

Family Assistance Centers. Family assistance centers have increased operations to unprecedented levels to meet family needs. Nearly 300 centers serve as the primary delivery system for military family support programs, including deployment support, return and reunion, and repatriation for active duty, Guard and Reserve members and their families. The Navy Exchange System Command has a well-established “pre-deployment” program partnership with the Navy and Marine family assistance centers to prepare members and their families for mobilization and deployments. The Army and Air Force Exchange Service recently launched a similar program designed to explain the exchange services, especially telecommunications, available to support deployed members and their families at home.

Reserve Family Readiness. Reserve Family Readiness remains a critical issue for the Department as we continue to draw upon the skills and capabilities resident in the Guard and Reserve to support the Global War on Terrorism. To assist the unit commander to support the unit members and their families, approximately 400 National Guard family assistance centers have been established to augment the family support system. These centers are established in communities where large densities of Guard and Reserve members have been mobilized.

A "Guide to Reserve Family Member Benefits" informs family members about military benefits and entitlements, including medical and dental care, commissary and exchange privileges, military pay and allowances, and reemployment rights of the Service member.

Children and Youth Programs. The military child development program continues to be a critical component in helping military parents fulfill their mission and focus on the job at hand and remains a high priority for the Department. Stabilizing a child care arrangement can present a major challenge for families of deployed troops. To support families during deployment, emergency supplemental funding of \$8 million in 2003 and \$13.5 million in 2004 has been used to provide child care for extended hours on nights and weekends; drop-in, respite, and mildly ill care; and extended services to the Guard and Reserve. Because deployment of a family member can adversely affect a child's behavior both academically and socially, the Department of Defense has developed several avenues to support children of military families, their parents, the staff who work with children, and the teachers who educate military children.

Installation Youth Centers provide computer labs with Internet connectivity to encourage communication between deployed parents and their children. In addition, tutoring programs are offered at Youth Centers to help children with their homework while their parents are absent. The Department reached out to public school districts to alert them to and engage them in addressing the unique

needs children from families in which at least one parent was deployed. Many of our industry partners participate in commercial sponsorship and support private scholarship programs that directly support our military children and youth.

Communications. Support to family members is no less important during times of high operational tempo, both for the families of active duty and reserve Service members. Maintaining a connection between families and the Service member on deployment through morale calls and e-mail can ease anxiety and stress. To ease the financial burden, we are proposing to permit the American public to purchase telephone calling cards online for the purpose of sending them to deployed military members.

Information and Referral Services. Service members and families cope better with the demands of military life when they have easy access to accurate and timely information. The Military OneSource is an employee assistance-like program that provides individual information and referral services concerning support available on the installation or in the community. The 24/7/365 toll-free telephone, e-mail and web site services include information and referrals on parenting and child care, education, deployment and reunion, military life, health, financial, relocation, everyday issues (i.e. pet care, plumber), work and career, to name a few. Military OneSource is an augmentation, not a replacement, for the family centers that are cherished. Military OneSource is a joint project. Each of the Military Services will have fully implemented the service by the end of Fiscal

Year 2004. The Marine Corps was first to stand-up the program and is enjoying positive feedback and results.

The new Military Homefront web-portal will become the central, trusted, up-to-date source for Service members and families to obtain information about all The Department of Defense Quality of Life programs and services, whether they are planning a permanent change of station move, dealing with deployments and family separations, or looking for the specials at the commissary and exchange stores. The site will contain not only breaking news, but also quick links to SITES4 (a comprehensive military community information database), to Military OneSource, and other sites supporting military families.

Dependent Schools. The Department of Defense Education Activity (DoDEA) has been an active partner in supporting students and families during the war. All schools within DoDEA have Crisis Management Teams to assist students and teachers during stressful times. Working in collaboration with military and civilian communities, they provide support before, during and after each deployment.

Financial Stability. The financial stability of military families is another initiative that the Department is addressing, particularly in light of large troop deployments and mobilization. To help families achieve financial stability, the Department has embarked on an initiative that combines educating Service members and their families on using their finances wisely with expanding



employment opportunities for military spouses. The Department has emphasized financial well being through a Financial Readiness Campaign designed to enhance the education and awareness programs of the Military Services through the support of 26 Federal agencies and non-profit organizations. We have already begun to see positive changes in the self-reported assessment of financial condition of Service members.

The Armed Services Exchange Military Star Card credit program is designed to help members establish and maintain a good credit history at a favorable interest rate (currently 9 percent). During deployment, members have two options. Charging privileges may be suspended and no interest is charged or payments made to the account. Alternatively, charging privileges may be maintained and a 6 percent interest rate is accrued (the normal interest rate is 9 percent).

We are employing another collaborative approach to improve employment opportunities of military spouses by partnering with federal, state and local governments to address legislative and regulatory barriers that may inhibit financial stability and portability of jobs, and developing partnerships with government, non-profit and private sector organizations to increase the number of opportunities available to spouse to develop careers. Within our own family support structure, the commissary and exchange systems are the

largest employers of family members – in fact, family members represent nearly a third of resale employees.

Through these initiatives the Department seeks to enhance financial stability by promoting consistent reliable sources of income and the ability to use it wisely to support quality of life needs and for attaining future life goals.

## **COMMISSARY OVERSIGHT**

The commissary benefit is an essential component of the non-pay compensation for members. In Fiscal Year 2003, the commissaries sold over \$5 billion in groceries, a 1.5% increase over Fiscal Year 2002. Since last year, the DeCA increased customer savings from 31.6% to 32.1%. Customers are responding favorably to operating changes geared to improving merchandise selection and customer service. Results of the latest Commissary Customer Service Survey (CCSS) confirm that DeCA continues to provide both low prices and improved customer service. On a scale of 1 (very poor) to 5 (very good), commissary patrons ranked service at 4.42.

I'd like to thank the Congress for enacting legislation to carry out our Social Compact promise to provide unlimited commissary benefits for Reserve and Guard members. The Department implemented the new authority the same day the President signed it into law.

Commissary Operating Board. The Under Secretary of Defense for Personnel and Readiness (USD(P&R)) seeks the regular advice of the senior military and civilian leadership to monitor the commissary operations and to work together to guarantee a viable commissary benefit well into the future. This role has been formalized through the establishment of the Commissary Operating Board (COB). Dr. Chu, USD(P&R), recently appointed Vice Admiral Charles W. Moore, Jr., Deputy Chief of Naval Operations, Fleet Readiness and Logistics, as Chairman, COB for a two-year term. We are meeting regularly with Vice Admiral Moore to obtain his counsel on the commissary benefit and DeCA operations.

Annual Assessment. Dr. Chu, Vice Admiral Moore, the senior military and civilian members of the COB, Major General Weidemer, Director, DeCA, and I, are working together to provide the commissary benefit in the most efficient and cost-effective manner to be able to guarantee that each dollar the Congress provides from the American taxpayer is well spent. To do so, means that commissaries that are no longer justified by their customer bases may close or be scaled back, while new stores may open where warranted and existing stores expand hours and stock assortment. In August 2003, I asked the Military Departments to more closely review 33 commissary operations. Based on their reports, there are no current plans to close those commissary stores. While this scrutiny may make some uncomfortable, this annual review of the commissary system will be increasingly important in view of the Global Posture Review and

the Base Realignment and Closure (BRAC) Commission round scheduled for 2005.

Funding. DeCA is fully funded in the Fiscal Year 2005 budget. DeCA has made significant progress by doubling the surcharge capital investment in stores, improving customer service ratings, and increasing the savings for commissary customers. While the DeCA budget has increased moderately each year since Fiscal Year 2000, sales increases have not kept pace. Thus, the taxpayer cost of each unit sold continues to rise – from \$.2198 in Fiscal Year 2000 to \$.2253 in Fiscal Year 2005. We believe that controlling the taxpayer subsidy while sustaining customer savings and improving customer service are mutually compatible. Through comparison to commercial industry best practices and performance indicators, we believe we can deliver the benefit in the most efficient and effective manner possible.

Business Initiatives. In Fiscal Year 2003, DeCA realized \$6 million in savings from produce acquisition efficiencies of the Defense Supply Center Philadelphia. Other areas of opportunity continue to be pursued in personnel management and case ready meat. Under competitive sourcing provisions, DeCA has competed 3,572 positions from Fiscal Year 2000 – Fiscal Year 2003, out of a Business Initiatives Council target of 6,392 to be competed by Fiscal Year 2009.

Fiscal Year 2003 commissary customer savings of 32.1 percent continue to exceed the 30 percent target. I stress that this level of savings is an average – in



some locations savings approach 50 percent, while in other locales savings fall below 20 percent. Under the current pricing structure of "cost plus 5 percent," DeCA has limited management tools to more consistently deliver the desired level of savings at each commissary location. Dr. Chu asked DeCA to conduct a study to determine the feasibility of adopting variable pricing while sustaining an average 30 percent savings on all products. Research on industry best practice suggest that DeCA could possibly deliver the desired 30 percent savings more consistently to commissary customers by using variable pricing. In response to the General Accounting Office recommendations to consider a private label program, the study is also examining the potential for expanding DeCA's best value item program. A commercial study is underway and the results are expected in mid-March.

Capitalization. In response to reduced tobacco sales, increased customer savings resulting in lower prices, and more accurate projections of the long-term effect of September 11<sup>th</sup>, DeCA does not expect sales growth to track with the grocery industry. With sluggish commissary sales forecast, DeCA expects surcharge collections to continue around \$260 million. Although several planned surcharge projects will be deferred this year, DeCA is maintaining a robust capital investment program with 11 major construction projects totaling \$106 million.

## EXCHANGES

The three exchange systems, the Army and Air Force Exchange Service (AAFES), the Navy Exchange Service Command (NEXCOM), and the Marine Corps Exchange, continue to operate independently. Each Exchange Service provides two important non-pay compensation benefits for authorized patrons: selling quality goods and services at low prices and distributing earnings as dividends to support the Services MWR programs. Typically, the MWR programs use the exchange dividends to support their nonappropriated fund construction programs. The Armed Services oversee the operations under broad Department policy.

Funding. The exchanges and ships stores ended Fiscal Year 2003 with estimated sales of \$10.5 billion and profits of \$539.8 million. Sales increased \$653 million (6.7 percent) over Fiscal Year 2002, but profits increased only \$4.3 million (.8 percent) – falling from 5.46 to 5.16 percent of sales. The decline in operating efficiency is principally attributed to Operation Iraqi Freedom expenses that were not fully funded by appropriations, pension accounting, and charges for early retirement incentives. Fortunately, last year's projections by the exchanges of collapsing dividends and capital programs did not materialize due to hard work by each of the organizations.

The exchanges have identified \$63 million in Fiscal Year 2004 appropriated fund requirements in support of Operation Enduring Freedom and

Operation Iraqi Freedom. The Congress provided \$55 million in response to the Department of Defense Fiscal Year 2004 supplemental wartime request. Even with this strong taxpayer support, we are experiencing stress on the resale systems, both in terms of supporting contingency operations and producing a steady flow of funding for capitalization and MWR dividends.

Exchange Dividends. On a combined basis, the projected Fiscal Year 2003 MWR dividends of \$312.4 million represent 58 percent of exchange and ships stores profits. MWR dividends increased \$2.3 million over last year. However, MWR dividends have not recovered to Fiscal Year 2001 levels of \$342.7 million. In the meantime, the MWR programs are becoming increasingly dependent on exchange dividends and are reducing their MWR capitalization programs as appropriated funding is reduced, especially in the Army and Navy.

In order to recover the previous levels of MWR dividends and capitalization, without adversely affecting Exchange customer savings, customer satisfaction and capitalization programs, the exchanges must find ways to manage more efficiently. The three exchanges continue to work independently to reduce costs, especially at headquarters, and to raise customer satisfaction through improved business practices and information technology, often duplicating investments in systems and infrastructure.

Unified Exchange Task Force. As a means to rectify this situation, I formed the Unified Exchange Task Force in response to the decision by the Deputy Secretary of Defense to unify the three military exchanges into a single business entity. The task is to deliver an actionable plan within two years based on the principles of the President's Management Agenda and the Defense Transformation Plan. The integration process must sustain and enhance the current exchange benefit so that Service members, their families, and retirees continue to have access to quality goods at fair prices. Integration should help reduce costs by the elimination of redundancies and streamlining of processes. We should also realize greater economies of scale as the military and the retail environment continue to change.

The Task Force has developed a number of tools and processes to guide implementation planning. Two governance groups were established. The first, an intermediate level, comprised of current exchange commanders and the exchange chief operating officers and chaired by the Task Force Director, will monitor, review and approve various components of the implementation planning process itself. The second senior level of governance, composed of Joint Staff and Service three star leaders with exchange cognizance and Assistant Secretaries of the Military Departments for Manpower and Reserve Affairs and chaired by me, will resolve any contentious issues that may surface during planning and approve the draft implementation plan. Eight work teams, comprised of current exchange



employees who are experts in their respective functional disciplines, have been chartered to develop the implementation plan. Two crosscutting work teams, also comprised of current exchange experts, will focus on end-to-end process integration and operating strategy development. The Task Force is collaborating with all teams providing analytic support, facilitators, and subject matter experts from the commercial retail community to assist in developing the plan.

The exchange commanders and their chief operating officers, and the exchange experts involved on the teams are working hard to meet deadlines and deliver a plan on schedule. I expect to deliver a detailed draft implementation plan to Deputy Secretary of Defense Wolfowitz and Congress in early 2005. The Department is keeping the Subcommittee members and staff apprised of our progress and look forward to responding to your questions as we move further down the planning path.

Merchandise Restrictions. Based on your guidance, future requests for relief from merchandise restrictions are to include surveys and assessments of the impact on the local community. The exchanges recently completed their report on the surveys conducted to assess the impact of lifting restrictions on televisions, diamonds, and furniture. The results are being reviewed in the Department. We will keep the Subcommittee advised of our progress.

We are aware of congressional interest in new business ventures, such as furniture outlets and optometry clinics, and the need for an open exchange of

information. The Department policy is to fully vet such proposals with the local community and to provide the results of such reviews to the Congress.

Exchange Cooperative Efforts. While the integration planning is underway, it is essential that the Resale Commanders continue independent and cooperative efforts to improve operations and achieve common business philosophy and best business practices. The differences in information technology continue to be the greatest challenge to cooperative efforts. The Military Star Card Program and the Armed Services Exchange Catalog are two examples of longstanding, successful cooperative efforts.

The exchanges continue to expand the Exchange Select program, which replaces the Services individual private label programs and includes health and beauty care, baby products, vitamins, toiletries, and household products. Exchange Select provides patrons 450 quality products with average savings of approximately 48 percent compared to name brands. In 2003, the industry recognized the development of the "Exchange Select" program with the Private Label Manufacturers Association Salute to Excellence Award.

I am pleased to report that under the guidance of my Deputy Under Secretary of Defense for Military Communities and Family Policy, the exchanges completed an intensive effort to update the uniform chart of accounts and common financial reporting practices. As a result, revised financial statements were published for Fiscal Years 2001 and 2002. Some work remains to be done to

establish common accounting practices for depreciation of assets. With a few exceptions that are fully disclosed in notes to the financial statements, differences in the exchange financial reports will be attributable to differences in management of programs and operating performance, not to different accounting practices. The practices will be reviewed and updated annually.

Work continues to benchmark capital investment and MWR dividends. Using the uniform exchange financial data, the history and projected dividends distributed to MWR programs is provided.

#### Armed Services Exchange Dividends

	\$(millions)					
	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Projected 2003	Projected 2004
<b>AAFES Dividend to:</b>						
Army MWR	\$140.5	\$149.4	\$138.1	\$123.0	117.4	\$119.9
Army National Guard	\$6.5	\$7.9	\$7.5	\$9.0	12.9	\$13.1
Navy MWR	\$1.5	\$1.6	\$1.8	\$0.9	0.4	\$0.4
Air Force MWR	\$88.9	\$93.3	\$86.4	\$76.1	71.9	\$73.5
Marine Corps MWR	\$6.2	\$8.2	\$10.2	\$11.1	13.6	\$13.9
Total	<b>\$243.6</b>	<b>\$260.4</b>	<b>\$244.0</b>	<b>\$220.1</b>	<b>\$216.2</b>	<b>\$220.8</b>
<b>NEXCOM Dividend to:</b>						
Navy MWR	\$38.8	\$53.3	\$53.1	\$39.9	\$48.5	\$41.3
Navy MWR (from Ships' Stores)	\$16.4	\$14.9	\$15.7	\$19.4	\$17.2	\$17.7
Total	<b>\$55.2</b>	<b>\$68.2</b>	<b>\$68.8</b>	<b>\$59.3</b>	<b>\$65.7</b>	<b>\$59.0</b>
<b>MCX Dividend to:</b>						
Marine Corps MWR	\$35.0	\$32.5	\$29.9	\$30.7	30.5	\$33.4
Total	<b>\$35.0</b>	<b>\$32.5</b>	<b>\$29.9</b>	<b>\$30.7</b>	<b>\$30.5</b>	<b>\$33.4</b>
<b>Total Exchange Dividends</b>	<b>\$333.8</b>	<b>\$361.1</b>	<b>\$342.7</b>	<b>\$310.1</b>	<b>\$312.4</b>	<b>\$313.2</b>

Sufficiency of MWR dividends is determined by the Armed Services, based on their requirements. Accordingly, we reviewed the exchange dividends distributed to each Armed Service MWR program. For comparative purposes, the exchange dividends are depicted on a per capita basis, using the authorized end strength:

#### Per Capita Dividends

	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Projected 2003	Projected 2004
<b>Army Source of Dividends:</b>						
AAFES	\$292.7	\$311.3	\$287.7	\$256.3	\$244.6	\$248.5
Total	\$292.7	\$311.3	\$287.7	\$256.3	\$244.6	\$248.5
<b>Navy Source of Dividends:</b>						
NEXCOM	\$104.1	\$143.2	\$142.4	\$106.1	\$129.1	\$110.5
Ships' Stores	\$44.0	\$40.0	\$42.1	\$51.6	\$45.8	\$47.4
AAFES	\$4.0	\$4.3	\$4.8	\$2.4	\$1.1	\$1.1
Total	\$152.1	\$187.5	\$189.4	\$160.1	\$175.9	\$158.9
<b>Marine Corps Source of Dividends:</b>						
MCX	\$203.3	\$188.4	\$173.2	\$177.9	\$174.3	\$190.9
AAFES	\$36.0	\$47.5	\$59.1	\$64.3	\$77.7	\$79.4
Total	\$239.3	\$235.9	\$232.3	\$242.2	\$252.0	\$270.3
<b>Air Force Source of Dividends:</b>						
AAFES	\$239.7	\$258.6	\$242.0	\$212.1	\$200.3	\$204.6
Total	\$239.7	\$258.6	\$242.0	\$212.1	\$200.3	\$204.6

#### MORALE, WELFARE AND RECREATION PROGRAM FUNDING

Each of the Service MWR programs is in sound financial condition, although nonappropriated fund operating results declined dramatically this year. The MWR programs attribute the decreased nonappropriated (NAF) operating performance to reduced exchange dividends, deployment, currency fluctuation, and higher NAF expenses to compensate for lower appropriated fund (APF) support. The continued vitality of the MWR program depends on sound



management, a predictable stream of nonappropriated fund revenues, and also solid APF support of Category A and B activities.

Category A activities (fitness, libraries, recreation centers, single Service member programs, intramural sports, and unit activities) should be supported 100 percent by APF. The Department sets a minimum standard requiring at least 85 percent of total expenses being supported with APF. Since 1995, DoD has improved APF support to Category A from 83 percent to 91 percent in FY 2003. Category B activities (childcare, youth programs, outdoor recreation, crafts and hobby shops, and small bowling centers) should be supported with a minimum APF of 65 percent of total expense. Again since 1995, DoD has improved APF support to Category B from 57 percent to 67 percent in FY 2003. All of the Services, with the exception of the Marine Corps, have met minimum percentages of APF support for Categories A and B for FY 2003. The Marine Corps has made a commitment to meet these minimum percentages in FY 2004.

Preliminary estimates indicate FY 2005 APF budgets for Army and Navy MWR programs are expected to decline \$140 million from FY 2003 levels. We are working with the Army and Navy to determine the impact of these reductions on troops and their families.

USO Audit. The GAO issued an audit on January 7, 2004, that was critical of DoD reimbursement of certain USO expenditures related to overseas entertainment. The GAO identified \$86K in improper, \$3K in questionable, and

\$344K in inadequately documented expenditures. This was out of a total of \$12.1 million in DoD reimbursements to USO for Armed Forces Entertainment. The USO has agreed to reimburse DoD and the Department has issued new policies to better define authorized expenditures and required documentation. The new policy and procedures should prevent a repeat of these problems in the future.

MWR Force Protection Condition (FPCON) Funding: Some installations experienced a dramatic drop in income at revenue generating MWR activities as a result of increased force protection conditions (FPCON) subsequent to the September 11, 2001 attack. To ensure MWR activities can continue to support military communities, DoD established policy, which allows installation commanders to pay for limited expenses with appropriated funds to sustain Category C MWR operations during heightened security conditions. The Military Services used the policy to reimburse the MWR nonappropriated fund instrumentalities \$4.3 million for the losses incurred during October through December 2001.

## **CHILD DEVELOPMENT SYSTEM**

The Department views child care as a work force issue that directly impacts the effectiveness and readiness of the force. The Department of Defense has the largest employee-sponsored child care program in the country serving over

200,000 children (birth - 12 years of age) daily. The program consists of child development centers, family child care homes, school-age care programs and information and referral services. Through these delivery systems, the Department of Defense offers full-day, part-day and hourly care, before- and after- school programs and extended hour care for nights, weekends and shift work. Generally, military parents are young, often far from home, and without the support of families and neighbors. Child care for infants and toddlers is hard to find and expensive. Because 65 percent of military spouses are in the work force, quality, affordable child care is an economic necessity and quality of life issue for military families. By providing child care, we help military families balance the competing demands of the family, accomplish the military mission, and improve the economic viability of the family. We currently have child development programs at over 300 locations with over 900 child development centers and 9,000 family child care homes. There are 174,410 spaces with a calculated need for an additional 41,000 spaces. Military child development programs are nationally recognized as models by early childhood advocates and professional organizations.

## **YOUTH PROGRAM**

Youth programs are offered in over 400 youth centers at 300 locations worldwide. Traditionally these programs have offered youth sports, recreation,

classes and social activities such as dances. The emphasis has expanded to include programs focused on social-emotional development, character building, and community service and prevention programs.

Military life imposes unique demands on families. Military assignments often require families to be relocated far from family support networks and frequently require remote or temporary assignments. Relocation impacts all aspects of family life, spouse employment, family finances, a sense of belonging and security. On average, military families move twice as often as civilian families. During the adolescent years, relocating requires youth to re-establish peer support systems and friends at a very difficult stage of development. Further, adolescents tend to have little control over the circumstances surrounding a move and often suffer from inadequate communication or support from their parents who are also preoccupied by the demands of moving. In response, the Department developed an Internet website - "Military Teens on the Move" (MTOM), designed to provide relocation and outreach support to military adolescents ages 10 - 18. The goal of MTOM is to help teens make positive connections in their new community. The Department of Defense worked hard to ensure it would be appealing to youth and included their perspective and reflection of their world as it relates to every aspect of relocation. MTOM was expanded to include a second site, designed for school-age children ages 6-10.



## **CAPITALIZATION PROGRAMS**

Overall, capital investment in support of commissary, exchange, MWR and lodging programs is being maintained at about \$1.1 billion each year, including the major construction programs. We appreciate the congressional approval to raise the minor construction threshold from \$500,000 to \$750,000 to coincide with the appropriated fund threshold.

The nonappropriated fund capitalization program, for both MWR and exchanges, is largely dependent on exchange profits. Last August we submitted and you have approved a Fiscal Year 2004 major construction program that included 66 nonappropriated fund projects for exchange, MWR and lodging activities totaling \$307 million. Reductions in exchange dividends and appropriated fund support of MWR activities have resulted in a 21 percent decline in average nonappropriated fund capital investment for MWR programs, primarily in the Army and Navy. Military Construction appropriations for MWR, including child care, are also declining.

## **CITIZENSHIP**

The Department is working closely with the Department of Homeland Security's Citizenship and Immigration Service to expedite citizenship applications for non-US citizen members of the Armed Forces. However, finalizing citizenship requirements for military members overseas has been problematic. We are working with the Citizenship and Immigration Service to

expand authority for conducting naturalization interviews and swearing-in ceremonies overseas. In the mean time, the Department of Defense has established policy to authorize emergency leave for service members who need to finalize citizenship processing.

## **PERSONAL COMMERCIAL SOLICITATION**

The Department received a lot of feedback from the insurance industry and members of Congress regarding DoD policies affecting personal commercial solicitation on DoD installations. The Department does not seek to constrain access to DoD installations by reputable businesses but must safeguard military personnel and their families from predatory or deceptive sales practices. The Department conducted a public forum in August 2003 to obtain comment on its current directive and will conduct a second public forum to seek comment on any proposed changes deemed necessary. The National Defense Authorization Act for Fiscal Year 2004 requires the Department to give Congress 90-days notification prior to implementing any changes to DoD Directive 1344.7, *Personal Commercial Solicitation on DoD Installations*, and we will certainly comply with the law.

## **ARMED FORCES RETIREMENT HOME**

It has been 18-months since a Chief Operating Officer assumed responsibility for direction of the Armed Forces Retirement Home from the AFRH

Board. In that short time, significant progress has been made to return the Home to a sound financial footing. Unused building space has been leased out, many support functions previously accomplished by AFRRH staff have been contracted out, and the Home will soon provide Congressional notification to finalize the sale of 49-acres in excess property adjacent to the Washington Campus for \$22,000,000. Some of the changes required have not been popular with all of the Home's residents and staff, but they have been necessary to ensure this historic institution is available to serve future generations of retired enlisted military personnel and disabled combat veterans.

## TRANSFORMATION

Integrated Global Basing Strategy. The Department has started work on a new global rebasing strategy to better meet future national security strategy requirements. Although the operational dimensions are paramount, improving the quality of life of relocated forces and their families is also important. Therefore, the Department intends to consider quality of life in its rebasing strategy recommendations. These considerations will include schools, health care, housing, childcare, spouse employment, crime and safety. Overseas installations produce significant commissary surcharge funding and exchange profits. We will be closely evaluating the base restructuring initiatives to

assess the impact on surcharge and nonappropriated capital investment programs.

BRAC 2005. At this juncture, we are not contemplating a moratorium on nonappropriated fund and commissary surcharge construction programs. Concerns have been raised regarding the degree to which the Department can continue to provide the MWR and resale benefits to authorized patrons. In preparation for BRAC 2005, we are evaluating the current policy and statute governing commissary and exchange operations on closed installations, to include combined store operations, to determine if modifications to statute or policy are needed.

Combined Stores. The concept of combined commissary and exchange store operations as a mechanism to continue commissary and exchange support at closed and realigned installations has not been successful. The Army and Air Force Exchange Service and Navy Exchange Service Command have operated combined stores at four locations for several years: Homestead ARB, FL; Fort McClellan, AL; NAS, Fort Worth, TX; and Orlando, FL. As required by statute, edible groceries are sold at cost plus five percent and the operations may receive appropriated funding up to 25 percent of the amount used by DeCA in the last year it operated the commissary. In our experience, the operating model results in losing grocery operations that require both appropriated funding from DeCA and



nonappropriated funding from the exchanges, which effectively reduces the MWR dividend.

In two cases, Homestead ARB, FL and Fort McClellan, AL, insufficient usage by authorized patrons and operating losses resulted in the decision to close the stores by December 31, 2003. After providing the required ninety-day advance notification to the Congress, we delayed the closure date in order to respond to congressional concerns. Because of the limited number of Active duty personnel in the Orlando area, we propose to convert the combined store to an independent exchange operation and cease appropriated funding on July 1, 2004. Grocery items would continue to be available, but will be sold at exchange prices.

With over two-thirds of active duty families living off-base, more single parents, working spouses, deployments and operational tempo, there are special challenges in making sure that military families can and do take advantage of these important non-pay compensation benefits.

To this end, we need to begin to identify and evaluate a variety of operating formats and ways to deliver the benefits in those locations and situations where the traditional store format is not effective. Rather than viewing these options as a death knell for the benefits, we aim to encourage DeCA, the Armed Services Exchanges, and our industry partners to design new approaches that may better meet the demand for these important benefits.

Advertising. We plan to complete a new, cohesive marketing, merchandizing, and advertising strategy to deliver and communicate better the commissary and exchange benefits to all segments of the military population, including those who live off-base. DeCA and the exchanges have initiated awareness campaigns to make authorized patrons aware of these important benefits, targeting the E1 – E6 population and Reserve Component. As a joint effort, the Armed Services Exchanges and DeCA, in cooperation with industry and the Coast Guard, mailed a circular to 500,000 enlisted members (E1-E7) within 25 miles of active locations. The primary purpose was to provide information on the commissary and exchange benefits and to encourage use of those benefits through coupons and paid advertising, specifically tailored to goods and services available in the commissary and exchange.

Fitness Business Initiative Council (BIC). Fitness is vital to force readiness. However, sixty percent of DoD fitness centers currently do not meet DoD fitness center program standards for facilities, staffing, programs or equipment. In an effort to quickly improve DoD fitness program delivery, the Department has initiated a Fitness Business Initiative Council to seek public-private partnerships. We have accomplished contracted site surveys at four installations and have two more installations scheduled for study. These site visits will produce business case analyses and identify public-private venture strategies. Our goal is to test promising strategies at these six installations by June 2005.

Public-private venture strategies that prove successful will be conveyed to the Services for their consideration to implement at other installations having a need to improve their fitness programs.

Social Compact. We have reconfirmed the Department's commitment to the commissary and exchange benefits as core elements of family support that provide valuable non-pay compensation to the military. Our aim is for all eligible customers to know the value of these benefits and to recognize them as measurable elements of compensation. We have set performance goals that should more consistently and effectively define, measure and communicate the commissary and exchange benefits.

Customer Satisfaction. The Social Compact identifies the need to consistently measure customer satisfaction. For the second year, the Department contracted with CFI Group to measure commissary and exchange customer satisfaction and provide comparison to industry using the American Customer Satisfaction Index (ACSI). The commissary and exchange goals are to meet the ACSI average customer satisfaction scores for the grocery and department/discount store industries. Although each of the resale activities routinely measures their own customer satisfaction, the ACSI survey provides an objective assessment that is benchmarked to industry. During the first three years of their participation in the ACSI survey, we agreed to keep the DeCA, NEXCOM, and MCX results confidential so a baseline could be created. I think it

is appropriate to recognize that, after receiving their first scores last year, NEXCOM and the MCX developed special emphasis programs, using the ACSI survey results to tailor to the areas of greatest importance to their customers. I am told that their customers responded to these efforts with higher ratings during the most recent survey. Well done!

Customer Savings. Work continues to define and measure commissary and exchange market basket savings and to benchmark capital investment and MWR dividends. The Military Exchanges are developing a uniform market basket and methodology for measuring savings and will use the NEXCOM contract to conduct the surveys. At this time, NEXCOM and AAFES have completed their surveys and report average savings of 15.8 – 16.7% (excluding sales tax, alcohol and tobacco products). The MCX results should be available mid-year.

## SUMMARY

When this Administration took office three years ago, the President charged us with a mission – to challenge the status quo, and prepare the Department of Defense to meet the new threats our nation will face as the 21<sup>st</sup> century unfolds. As part of the transformation process, we are re-evaluating the reasoning for operating three independent exchange services and challenging the commissary system to examine best business practices. In fulfillment of our social compact



with military members, the resale entities are working hard to economize and keep prices low and improve customer service in a highly competitive environment. The commissary and exchange programs must be positioned to change with the Global Posture Review and the Base Realignment and Closure (BRAC) Commission round scheduled for 2005. They will continue to perform mission essential support of our brave men and women prosecuting the Global War on Terrorism and serve our military families at home and abroad.

Each of these tasks represents a significant challenge in its own right, but each is critical to the future of these important elements of non-pay compensation. We appreciate and value the hard work of the thousands of managers and employees who labor each day to accomplish these critical tasks at once. It is an ambitious agenda, but we must prepare now for the tomorrow's challenges. We are confident in our capability to adjust the resale system to support America's fighting force and their families. Our military, civilian employees and industry partners are dedicated and determined to carrying out the MWR and resale mission at military locations at home and abroad.

**STATEMENT OF  
MR. MICHAEL P. DOWNS  
DIRECTOR  
PERSONAL AND FAMILY READINESS DIVISION  
MANPOWER AND RESERVE AFFAIRS DEPARTMENT  
HEADQUARTERS, UNITED STATES MARINE CORPS**

**BEFORE THE  
TOTAL FORCE SUBCOMMITTEE  
OF THE  
HOUSE ARMED SERVICES COMMITTEE**

**CONCERNING  
  
MILITARY RESALE AND  
MORALE, WELFARE AND RECREATION OVERVIEW**

**MARCH 3, 2004**

Chairman McHugh, Congressman Snyder, Members of the Subcommittee:

I am privileged to have the opportunity to discuss Marine Corps resale operations and their contribution to morale, welfare, and recreation (MWR) programs provided to your Marines and their families. I would like to thank you for your unwavering and continued support of Marines and families over the last year. Marine Corps installation commanders were greatly assisted by the supplemental appropriations provided by Congress as they adjusted priorities to focus on supporting deployed Marines while addressing the needs of Marines and families at home. Before I turn to an overview of our resale operations, I would like to update you on the deployment support provided in theater and at home over the last year.

**DEPLOYMENT SUPPORT**

The Marine Corps is an expeditionary force accustomed to being busy; yet 2003 will certainly be remembered as one of our busiest years. At the height of Operation Enduring Freedom (OEF) and Operation Iraqi Freedom I (OIF I), 67 percent of Marines in the operating forces were deployed away from their home installations. As we speak today, an expected 25,000 Marines are deployed or inbound to Iraq for OIF II. A second contingent of 25,000 is slated to replace these Marines in about seven months and begin their own seven-month commitment. What might happen next would be speculative, but it is unlikely that we will soon return to "normal" deployment levels. Significant and repeated deployments such as these

require installation commanders and program managers to balance/adjust quality of life programs and services to provide deployed Marines with exchange and MWR operations, while supporting the Marines and families left behind on military installations and in civilian communities. While these commanders do not require specific recognition, I want you to know they have faithfully and effectively fulfilled their responsibility.

For over 100 years, deployed Marines have been provided some of the "comforts of home" by the military exchange system. This tradition of support continued for Marines serving in OEF and OIF I, as it will for those redeploying as part of OIF II. During OEF and OIF I, tactical field exchanges (TFEs) provided deployed Marines with access to everything from health and comfort items, to movies, CD's and snack foods. The Marine Corps partnered with the Army and Air Force Exchange Service (AAFES) to provide Marines to operate AAFES-supported TFE's at Camps Edson, Bush Master, Viper and Chesty in Iraq; Camps Fox, Marine Land, Commando, and Coyote in Kuwait; and in Djibouti in the Horn of Africa. Mobile TFE's were also operated off the back of seven-ton trucks to provide service to front line camps. These Marine Corps-operated TFEs experienced sales of approximately \$29 million in 2003. We are looking forward to a continued partnership with AAFES as Marines return to theater for OIF II.

As the operational tempo allowed, Marines were provided with access to open-air or make-shift fitness centers; telephones to call home; miscellaneous recreation supplies such as games, sports, and books; and voluntary education opportunities. As an example, Marines in Djibouti are provided a 24-hour a day, 7 day a week operation that includes a recreation center, two fitness centers, a library, a running trail, an outdoor swimming pool, scuba certification classes, USO entertainment and cultural tours of the local area.

During large contingency operations, the value of exchange and MWR programs intensifies. Initially, some may view these programs as non-essential for deployed environments. Additionally, providing support is often logistically challenging and difficult to sustain. But the value and importance of these programs as non-pay benefits becomes more apparent to Marines and the leaders of Marines as the operational tempo of a major contingency changes. The offering of recreation programs and TFEs provides a respite and a diversion from the rigors of mission. When effectively provided, exchanges and MWR programs have the real likelihood of nurturing lifelong loyal customers. We are certain that Marines who benefited from the TFE support in Iraq will remember that support, and value this benefit.

When a married Marine deploys, the family remains behind on military bases, in local communities, and in communities around the country. We make a special effort to ensure the needs of the family are attended to so the Marine can focus on the military mission. We also make sure that we are attentive to the specialized needs of our activated Marine Reserves and their families who are often dispersed throughout the country. As we prepare for OIF II deployments, we are benefiting from lessons learned during OEF and OIF I. In the early days of OIF I, we recognized that we needed to establish a response mechanism to address the insatiable appetite for information (commonly referred to as the "CNN effect"), particularly from non-traditional audiences such as parents, friends, and neighbors. The establishment of an OIF Family Information Hotline that has been re-activated for OIF II and a Deployment Support website assisted this vast information and public contact requirement, regardless of the location of the caller or user. Both were specifically designed to sort the information needs of callers or users, and re-direct them to specific response or support capabilities. Family members were re-directed to Community and Family Assistance Centers established at Camp Pendleton, Camp Lejuene, Miramar, Yuma, and Twentynine Palms. These Family Centers were operated on a

24/7 basis as necessary to ensure ready accessibility. In addition, our Key Volunteer Network (KVN) served as the official communication link between deployed commands and the families. The KVN is a spouse-to-spouse connection that commanders use to pass important, factual, and timely information on the status and welfare of the operational unit. As spouse leaders, the Key Volunteers respectively interact with the commander regarding the welfare of the command's family members

We were very fortunate to also have *Marine Corps Community Services (MCCS) One Source*, a Department of Defense (DoD) employee assistance pilot program operated for the Marine Corps by Ceridian Corporation, as yet another touch point for family member support. Available Corps-wide in January 2003, over 26,000 uses occurred by telephone, email, or online in 2003, and we did see increased uses in the months of March and April during the height of the conflict. The program can be especially useful for remote users such as the families of activated Reservists. The most frequently asked about areas were in the categories of deployment status, parenting, childcare, everyday issues, and education. The families of activated Reservists found helpful information on military programs such as TRICARE and other benefits and services.

In addition to expanded communications techniques to help with the "CNN effect," 2003 saw adjustments to MWR activities' hours of operation, as necessary and new programs and services, where needed. Families were provided pre-deployment briefs and assistance in developing proactive, prevention-oriented family care plans, powers of attorney, family financial planning, and enrollment in the Dependent Eligibility and Enrollment Reporting System (DEERS) to minimize the stress of everyday decisions after the Marine has deployed. Many installations also provided programs focused on helping children of deployed Marines cope with the absence of their parent(s), and respite childcare to give the parent remaining at home a much-needed break. In recognition of the importance of the transition home after deployments for both Marines and their families, the Marine Corps developed standardized return and reunion aids such as warrior transition briefs and counseling for the returning Marine, and a return and reunion guidebook to help Marines and family members prepare for and enjoy their reunion.

Finally, we would like to recognize the many local community groups surrounding Marine Corps installations that extended support to the families of deployed Marines. At Camp Lejeune, where over half of the Marines were deployed at one time, MCCS worked with the Chamber of Commerce and the local community on *Project CARE*, which sought to match military families with services in the local community. *Project Enduring Families* were partnerships between MCCS and the communities surrounding Twentynine Palms and Miramar that worked to help families maintain daily routines and stay connected to the community. Camp Pendleton and other installations affected by OIF deployments were the beneficiaries of similar community support. Marines and their families appreciate the care and concern of their citizen neighbors.

The remainder of my testimony will focus on the status of and plans for our resale operations at our installations.

### **MARINE CORPS RESALE OPERATIONS**

The Marine Corps Exchange (MCX) is a proud member of the MCCS family. For over a century, the MCX has been focused on supporting Marines and their families, regardless of duty environment -- even if providing the benefit requires an armed Marine. Everyday resale operations are provided to Marines and their families in garrison at 16 Main Stores and 221 other activities. As we are careful to obtain and act on lessons learned to improve deployed support,



we are no less vigilant when providing installation support. Hometown or corner stores must continuously study the characteristics of modern and successful retailers to stay abreast and maintain relevancy to the customer. The relevancy of the MCX, like all business entities, is dependant on the following enabling strategies: (1) creating operational efficiencies, (2) striving for program excellence, and (3) making data-driven decisions. While pursuit of these strategies must be ongoing and continuous, the MCX has made significant and demonstrated leaps of accomplishments in 2003.

#### *Creating Operational Efficiencies*

The MCX operates as a decentralized element of our MCCS organization with operational control under the local installation commander. This concept not only brings an efficiency of shared overhead costs with MWR and other MCCS programs, but also breeds entrepreneurship, innovation, and perhaps more importantly, a sense of loyalty and ownership that serves the individual uniqueness of our installations and assists in our responsiveness to customers. Our strategic focus is to attain efficiencies and consistencies enjoyed by centrally managed organizations while maintaining the benefits of our current structure.

Our keystone initiative for improving operational efficiency is the implementation of consolidated buying and a merchandizing systems modernization. As of March 2004, the Headquarters consolidated buying office is buying for Exchanges at 11 commands, which represents over two-thirds of our Exchanges and 58 percent of our total sales volume. The 11 commands are: Camp Allen, Henderson Hall, Albany, Miramar, Cherry Point, Barstow, Parris Island, Beaufort, Yuma, San Diego, and Camp Lejeune. We will be buying for 80 percent of our commands by the end of 2004, and 100 percent by the end of 2005. Even with this effort, commands will continue to have the flexibility to influence local assortments as necessary to meet geographical and demographic needs. We transition our buying at each command approximately six months prior to the stand up of our Essentus merchandise system. We have had great success over the past year implementing Essentus at Albany, Henderson Hall, Cherry Point, Barstow, Parris Island, and Beaufort. We will continue to aggressively roll out the rest of our commands between now and the end of 2005.

The Essentus system, in conjunction with consolidated buying, is transforming the way we do business in the MCX. It enables our employees to get merchandise on the shelves faster, to keep better track of inventory, and to anticipate demand for a particular item. It can cut in half the time it takes to get a popular item back in stock and in the hands of our customers. It is important to note that the Essentus system is fully integrated with our MCCS financial and reporting systems and based on an open architecture, which makes it possible to leverage the strengths of the other Services' open architecture systems.

#### *Striving for Program Excellence*

Our buying and modernization initiative supports program excellence, but we are doing much more. We are not looking for "cookie-cutter" solutions to our retail operations, but are developing standards of excellence, procedures and processes, and measurements to assure a consistence and predictability of program excellence in all of our facilities, regardless of location. Perhaps one of the most exciting initiatives in 2003 was the development and launching of a corporate exchange brand and image that includes a slogan, a new logo, and a renewed focus on customer service. The MCX is proud to serve the Marine family and wanted to develop a recognizable logo that ties to that pride. We partnered with the J. Walter Thompson advertising agency to conduct extensive research on the best new image for the MCX. What better company to do this than the one that is responsible for the Marine Corps recruiting

commercials that have proven so successful. The new logo was designed to differentiate the MCX from other stores, and to show our Marine family that this is *their* store. In test focus groups, our customers made the immediate emotional connection to the blood stripe from Marines' dress blues trousers. Therefore, the new logo is blue with a red stripe, representing the dress blues trousers with the honored blood stripe, and it includes the slogan "Core Brands, Corps Value." We believe it meets our objectives of connecting to the Marine Corps and speaking to our strengths: brands and value.

We are well aware that we cannot just present a pretty new sign and a witty new slogan and call it a day. "Core Brands, Corps Value" and our renewed focus on customer service is a total commitment from the MCX organization to bring the best in name brands that represent a real value. Every member of the MCX family has to believe that they are providing a quality service to Marines and families. As part of this new image campaign, we also implemented the "Spirit and Pride" campaign to energize our associates and recognize exemplary employees while instilling in them the pride of working for the Marine Corps. The campaign includes awards criteria for Exchanges and individual associates based on mystery shops, financial performance, and the 2004 Associate Satisfaction Index (ASI)/Customer Satisfaction Index (CSI) results.

An important component of our branding initiative was the re-naming of our private label value program from "4-Star" to "1775" for our soft line apparel, and to "Another Corps Value" for name brand entry price point appliances and electronics that are value priced. This value program includes over 150 key items targeted at cost-conscious customers like young married Marines with families and retired Marines on fixed incomes. Basics such as five-pocket jeans for all ages, name-brand kitchen essentials such as mixers and irons, and electronics such as entry price point TVs and DVDs are specially purchased to ensure high quality and value for these demographic groups. These items are readily accessible to ensure customer satisfaction. In addition, the Exchange Select line is the generic product program offered in partnership with NEXCOM and AAFES that offers health and beauty items, cleaning products, baby products, and film. These products have active ingredient content comparable to name brand equivalents.

We balance these value products with the brand names especially desired by our large population of young, single Marines. This demographic is interested in whatever retailer that can provide them with the latest fashionable clothes, a quality stereo system, and a memento for their significant other, at a fair price. To meet these demands, we strive to sell brand name merchandise for less, and provide a price match guarantee on identical items advertised at a lower price by local competitors.

Another strategy we use to meet our customers' needs is to aggressively look for the next new product offerings and vendor partnerships like those we have recently launched with Brooks Brothers, Gateway Computers, and Tomorrow's Mother maternity clothes. We pride ourselves on being flexible and able to quickly react to new business opportunities. We are the only retailer outside of Brooks Brothers to carry this line, which we offer in our Quanticco, Henderson Hall, and San Diego Exchanges. We expect to do about \$500,000 annually in this line. The Camp Lejeune and Miramar Exchanges recently launched an assortment of Gateway computers as the first retailer to carry this line outside of Gateway's own branded stores. This is a unique niche not found at super-stores, which is expected to continue to drive current computer sales increases. We also identified an opportunity to expand our maternity clothing lines and negotiated a pilot consignment maternity program with Tomorrow's Mother. The line, available in major department stores and stand-alone shops, offers opening to moderate price points in

casual and career maternity clothing. We began selling Tomorrow's Mother at Miramar in September 2003, and experienced \$5,000 in sales in the first two weeks.

We pride ourselves in the uniqueness of our resale facilities; however, as we make capital improvements we are ensuring that there is a consistent approach in design criteria that assures the customer's best possible shopping experience, including of course, maximizing sales. In FY 2002, the MCCS Board of Directors approved an addition to the JetMart convenience store at Miramar. In FY 2003, the Board of Directors approved renovations to two branch stores at Camp Lejeune, a replacement branch store at the Mountain Warfare Training Center in Bridgeport, CA, expansion of fast food services in the Exchange complex at Camp Pendleton, and an addition to the main store at Miramar. We will continue to aggressively evaluate exchange capital projects to ensure that we are updating our facilities on the appropriate schedule.

We recognize that the branding of the Marine Corps Exchange requires more than a logo and quality merchandise in customer-friendly facilities. A consistent approach to customer service and store operations is also required. As we transition Exchange support functions to a more central approach, our store managers are now better able to focus their full attention towards the customer and the well-being of store associates. To support our store operations we have developed merchandising, staffing, and customer service standards that are already realizing substantial customer service score improvements throughout the Marine Corps Exchange. Just last month the preliminary results of the Office of the Secretary of Defense (OSD)-sponsored American Customer Satisfaction Index (ACSI) were released and the MCX customer satisfaction score increased a notable five points from 66 in 2002 to 71 in 2003. We achieved equally impressive score increases in such areas as perceived overall quality, service quality, and perceived value.

#### *Making Data-Driven Decisions*

Our final strategic focus is to remove some of the subjectivity from our management structure. We are already taking advantage of the plethora of information that our information system and surveys provide us. We are using this data to drive our decisions relevant to customer service, product mix, facility design and all elements of our business. An example of making active use of data has been the dissecting and analysis of past CSI surveys to learn more about customer wants and desires, and to develop action plans accordingly.

As you can see, the elements of our three-tiered strategy are interrelated, not independent. They are driving us to continue to provide quality goods and services to our customers in an increasingly efficient manner. It is very exciting to think about what 2004 will bring for the Marine Corps Exchange.

#### *Armed Services Exchange Regulation (ASER)—Impact on Marines and Families...*

This time last year I thanked you for lifting some of the ASER merchandise restrictions over the last several years so that we are better able to meet the expectations of our customers. The Marine Corps continues to believe that the remaining restrictions on large screen, projection televisions and items such as finished furniture and diamonds over one carat preclude the accomplishment of our full-service customer goals. The initial ASER restrictions were put in place to protect small local stores. The dynamics of today's retail environment differ dramatically from that of the immediate post-war era and today, large retail chains are dominant in the market place. Each Exchange Service has collected annual data from merchants and chambers of commerce for the last two years to report the impact of new items sold as a result of the eased restrictions. A response rate of less than one percent indicates that the changes in



merchandising policies are having little affect in the communities in which military installations are located. Lifting the remaining restrictions would allow us to provide our customers with an enhanced shopping experience through an expanded stock assortment and increase dividends paid to MWR programs, without noticeable impact to local businesses.

#### *Exchange Integration*

The Marine Corps is actively participating in OSD's Unified Exchange Task Force process with a goal to produce an exchange implementation plan with auditable savings. This is a demanding process that requires careful attention and apportionment of key leaders' time, so as not to jeopardize our primary mission, providing the Exchange and MWR benefit to authorized patrons.

### **RESALE FINANCIAL POSITION**

While we could not help but feel the effect of the heavy troop deployment on our 2003 sales, we experienced a healthy rebound once the troops began returning at the end of the summer and in the fall. We ended FY 2003 on January 31, 2004, with estimated sales of \$693 million from our retail system. This is a same store increase of .8 percent from FY 2002, and does not include the previously mentioned \$29 million in TFE sales for deployed Marines, which are credited to AAFES. The estimated net profit for FY 2003 is \$44 million, the same as FY 2002. A dividend currently estimated to be \$31 million and equal to our 2002 dividend, was used to fund MWR programs and facility requirements such as auto skills centers, unit funds, free movie theaters, marinas, the Single Marine Program, and youth sports programs. In addition, all of our installation MCCS operations met budgeted financial objectives for FY 2003, and we estimate that Category C revenue-generating MWR programs such as golf pro-shops, bowling alleys, boating, and equipment rentals will show an increase in revenue. That is quite an achievement when you take into account the expanded troop deployments, the wildfires in California, and Hurricane Isabel on the East Coast.

In 2004, retail sales continue to grow and Marines and their family members are well served by the MCCS organization. Obviously, the next deployment of Marines for OIF II will have an impact on our FY 2004 sales but we prepare and will adjust for that reality. One of the strengths of our single MCCS organization is its ability to quickly adjust to complex situations and challenges that can result in business cycle disruptions, and balance support requirements, as appropriate.

Turning to our APF execution and MWR NAF, the Marine Corps continues to place tremendous emphasis on meeting the MWR APF Category A and B percentages of 85/65. Therefore, our MWR APF Category A and B programs received an increase of \$4.0 million in FY 2002, \$4.0 million in FY 2003, and \$5.4 million in FY 2004 to help us realize these goals. The Marine Corps remains committed to achieving the 85/65 funding standard this year.

### **FACILITIES MODERNIZATION**

The MCCS NAF construction program delivers on the promise that Marines and their families will have attractive, modern, and high-quality Exchange and MWR facilities. Our construction program is well structured and stable, and we continue to plan to build and renew needed resale and MWR facilities over the next several years. MCCS capitalizes its NAF facilities through an annual 2.5 percent assessment on sales from our Exchanges, contracted activities, revenue-generating MWR programs, and a 21 percent assessment on the net revenue of overseas gaming machines. In addition, our installations self-fund numerous projects with



retained earnings when central funding is insufficient for accomplishing the total requirement, in a timely manner. We also work in cooperation with other Services to take advantage of resources and efficiencies wherever appropriate. For example, we use the design and construction contracting services of AAFES and Army Community and Family Support Center (CFSC), when appropriate, as their expertise in constructing exchange and MWR specific projects has proven advantageous.

Over the last five years, the MCCS Board of Directors has approved investing over \$114 million in new construction or renovation impacting 78 facilities, of which \$48.8 million went to 40 resale projects. For FY 2003, 12 projects were completed and capitalized at \$15.2 million, of which five were resale/ exchange projects at a cost of \$4.3 million. In FY 2004, the Board has approved three exchange projects including a new convenience store with gas pumps in the Manana Housing Area at MCB Hawaii, and renovations at Quantico and MCRD San Diego. There are also two cooperative efforts with AAFES to provide troop malls at Camp Hansen and Camp Schwab in Okinawa, Japan.

We believe another effective method of providing the facilities and services desired by Marines and their families is to partner with the private sector. To encourage the use of Public-Private Ventures (PPVs), the MCCS Board of Directors instituted a policy that assesses new PPVs on the commission received instead of on sales. This change incentivizes our installations to seek a variety of new businesses, which may not offer high commission percentages. Camp Lejeune is actively seeking PPVs to enhance their offerings of name-brand goods and services while saving in NAF construction dollars. In FY 2003, Camp Lejeune received approval for projects that include a fast food restaurant and a quick oil/lube business. They are working with interested private businesses to make these projects a reality. A coffee/donut shop project is awaiting final congressional approval.

#### CONCLUSION

Mr. Chairman, the Marine Corps Exchange and all of our other MCCS operations proudly wear the eagle, globe and anchor. This symbol of Marine Corps pride sets us apart, and requires all who serve to maintain the tradition of honor, courage, and commitment. We are enormously proud of the Marines who served in OEF and OIF I. We will be there as a strong Marine Corps support arm as they return to Iraq or serve wherever the Nation calls. Your continued support is greatly appreciated as we endeavor to best serve the few, the proud, the Marines.

Subject to your questions, Mr. Chairman, this concludes my remarks.

STATEMENT BY:  
MAJOR GENERAL KATHRYN G. FROST, USA  
COMMANDER, ARMY AND AIR FORCE EXCHANGE SERVICE

BEFORE THE  
TOTAL FORCE SUBCOMMITTEE  
OF THE  
COMMITTEE ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES  
108<sup>TH</sup> CONGRESS, 2nd Session

HEARINGS ON  
MORALE WELFARE AND RECREATION PROGRAMS  
AND RESALE ACTIVITIES

3 MARCH 2004

Mr. Chairman and Members of the Subcommittee. Thank you for the opportunity to testify once again about the Army and Air Force Exchange Service (AAFES). I am here to report that the AAFES team is more committed than ever to "Serving the Best Customers in the World." In my 30 years in the Army, I have never been prouder of the performance of any of my organizations and am thrilled you have offered me this chance to once again talk about AAFES achievements.

Today, some 200,000 Soldiers and Airmen, Sailors and Marines are deployed to hostile regions of the world fighting for our way of life. The Army and Air Force Exchange Service serves along side them. From tents on the frontier some 108 years ago, through our Nation's wars, to military community support throughout the 20th century, AAFES has grown into a modern, international retailer with 48,000 employees in over 30 countries, 5 U.S. territories, and all 50 states. Our main presence on military installations is the Post Exchange (PX) or Base Exchange (BX); a modern shopping center that serves military personnel, their families, and the retired military community by providing quality merchandise and services at discount prices. Sometimes large and often small, the PX/BX provides a full assortment of merchandise, softlines, hardlines, and consumables - popular name brand products and private label merchandise. AAFES also manages thousands of smaller operations...convenience stores, movie theaters and fast food restaurants, and partners with local community businesses to provide a variety of services (dry cleaners, barber and beauty shops, nail salons, flower shops, etc); all the kinds of businesses our troops would rely on in their hometowns, if they could be there.

A multi-channel retailer, the exchange has been in the mail-order business for 100 years. Today, we publish two big book catalogs and numerous supplements each year. In the last decade AAFES has fielded an award winning on-line catalog, [www.aafes.com](http://www.aafes.com), that significantly expands customer choices. AAFES manages the catalog and on-line shopping for all the military Services, so if America's service members aren't near a store, we can take the store to them. We even make shopping AAFES easy with a proprietary credit card that we developed and manage for all of the exchanges - the Military Star Card. This is the 4th largest proprietary credit card in the U.S., with a receivable of \$1.805 billion. The good news for troops is that we offer one of the most competitive interest rates in the country (9%)...and an even better interest policy for those who are deployed (6% with no payments during deployment).

Overseas, AAFES is unique, operating food plants in Germany, Japan, Okinawa, and Korea, bringing popular U.S. food products to overseas military communities. AAFES provides these goods to our own stores as well as to the commissaries, hospitals and military dining facilities. Not well known but very important is our support to the overseas Department of Defense school system. AAFES provides nutritional meals on a break-even basis to 136 schools, while maintaining meal prices at 1997 levels.

AAFES exists not only to serve and support the military community, but also to produce earnings. Our businesses generate more than \$7 billion a year in revenue and our customers are our stockholders. Some 65% of AAFES earnings are paid as dividends to the military Services' morale, welfare and recreation (MWR) programs. All remaining earnings are reinvested in the AAFES capital program to improve our efficiency and our customer's shopping experience, with minimal expense to the taxpayers. America's military enjoys the value of AAFES in many ways,

but to the man or woman in uniform, the greatest value is the AAFES pledge to the troops..."We Go Where You Go."

In 1995, North Atlantic Treaty Organization (NATO) forces entered Bosnia/Herzegovina and AAFES was there in tents, trailers and the mud. Four years later, NATO entered Kosovo and again AAFES answered the call. Today, U.S. and NATO forces remain and so does the PX. AAFES support to peacekeepers became the norm until the world changed following the events of September 11, 2001. Working with our industry partners, AAFES set up in the shadow of the Pentagon impact site and at Ground Zero in New York to support recovery workers. Then, as U.S. forces arrived in far-off corners of Africa and Central and Southwest Asia to wage war against terrorism, AAFES opened stores to support them in Afghanistan, Uzbekistan, Pakistan, Kyrgyzstan, Djibouti, Qatar, United Arab Emirates (UAE), Bahrain, Oman, and Kuwait. AAFES remains in most of those locations today, even with a PX in Kabul, the capital of Afghanistan.

Our greatest challenge began last year when the U.S. decided to face down Saddam Hussein and his Iraqi regime. This time last year, tens of thousands of troops were pouring into the Middle East. AAFES moved heaven and earth to be there for them, working around the clock to open new stores in remote locations where there was only sand as far as you could see. Energetic AAFES associates built stores in trailers, tents and prefabricated facilities, stocked and manned them at record pace - all the while dealing with lines that never seemed to end - just to provide a little bit of home to troops of all Services before they went to war. By the time coalition forces crossed into Iraq, AAFES had 23 stores in the staging areas of Kuwait, Bahrain, Qatar, Oman, and the UAE. But AAFES didn't stop there.

Even before Baghdad fell, AAFES had a PX on the ground in Iraq, supplying the war fighters with much-needed personal hygiene products, snacks, beverages, and other essential items. AAFES had 12 stores open for business in Iraq by July, plus a Burger King at Baghdad International Airport.

By Christmas, AAFES was operating 31 stores and five name-brand fast food restaurants in Iraq, supporting an additional 85 unit-run stores at small camps and running mobile operations to remote and hostile locations, generating some \$21 million in December sales.

It has taken unparalleled commitment and a miracle of logistics to make all this happen. Stores in Iraq are supported by an AAFES logistical network: buying, packing, shipping and hauling millions of dollars of merchandise by road, rail and air along supply lines subject to hostile fire and frequent ambush...not to mention inevitable port delays and competing convoy priorities.

Overshadowing the logistical accomplishment is the dedication, endurance, and courage of the AAFES civilian associates who have volunteered to endure spartan living conditions, extreme heat, and a daily enemy threat to deliver a little bit of home to our American heroes. Their living conditions are no different from the troops they support; their hours are long and hectic, and they've been exposed to the same mortar fire and convoy ambushes that have threatened our troops. Today some 480 AAFES associates are deployed in dangerous places around the world, about 270 in Iraq. Those who have stepped forward to deploy are true AAFES heroes. Each of them also represents a position at a home station that has gone unfilled during the deployment. Those who have remained behind have also had a challenging year.

We began the AAFES retail year, poised to go to war, facing a bleak economic outlook, a weakening dollar, falling interest rates, weak consumer confidence, and hundreds of thousands of customers about to be deployed. Business projections were pessimistic. The weakness of the dollar against foreign currency cost AAFES \$52 million, and a reduced interest rate passed on as savings to Military Star Card customers, cost AAFES over \$7 million in finance revenue.



However, aggressive contingency operations, family focused marketing at home, outreach to the Reserve components, some smart business decisions, productivity increases of over 11%, corporate cost cutting, and a little good luck produced an incredible result; AAFES expects to end our fiscal year (FY) 2003 with total revenue of \$7.85 billion. After the cost of goods and other expenses are subtracted, AAFES earnings are projected to be \$333 million, or about 1.3% higher than last year. AAFES will pay at least \$216 million in FY 03 MWR dividends. Our per capita dividend for each Soldier and Airman is up \$57 in actual dollars, and \$10.75 in constant dollars over 10 years ago.

At the same time, AAFES has absorbed enormous cost to deliver the AAFES benefit to troops at war. When sailors deploy on board ship, the ship store is funded with appropriated dollars. In previous contingency operations when Soldiers and Airmen deployed, AAFES has borne the cost of providing the PX/BX benefit. As a result, the MWR dividend suffered. In the first 11 months of AAFES FY 03, the cost of support to Operations ENDURING FREEDOM and IRAQI FREEDOM was \$79.7 million. Of that, some \$59 million was authorized APF reimbursement, but not funded by DoD. Fortunately, the Department of Defense and Congress recognized this extraordinary cost of war and its impact on MWR and earmarked \$40 million in the government's FY 04 supplemental to offset at least some of the cost. Because AAFES' fiscal year 2003 overlaps the government fiscal year 2004 by four months, we have so far been able to book some \$13 million of this supplement for FY 03 reimbursement. I want to thank each of you who supported protecting the exchange benefit by providing at least some reimbursement for our cost to support the troops, and look forward to your continued support.

Given these challenges, our focus on earnings consumed a great deal of energy at AAFES in 2003. Value, service and support were also evident in our pricing, special programs, and new store openings. Seventy four million dollars in capital were invested in 19 new facilities and \$13 million in major renovations. We opened a new BX at Scott Air Force Base and, to welcome home the 3<sup>rd</sup> Infantry Division (ID), a new 145,000 square foot shopping center was opened at Ft. Stewart in October. This was history making. In 2003, AAFES opened a store for the 3<sup>rd</sup> ID in Kuwait, then one in Iraq, and finally one at the home station.

In addition to Scott and Ft. Stewart, new shopping centers at Camp Humphries, Korea (May 03), Tinker AFB, OK (Jan 03) and shoppettes at Ft. Jackson, SC and Conn Barracks, Schweinfurt, Germany were opened. AAFES has under construction 25 major projects valued at \$104 million that are scheduled for opening throughout 2004.

At the same time, the AAFES restaurant portfolio was expanded to 36 options with the signing of contracts with three additional fast food restaurants chains - Einstein Brothers bagels, Greek Odyssey Café and Big Vinny's sandwiches. Last year, a total of 149 restaurants opened including 85 Name Brand Fast Food outlets. AAFES currently operates 1,904 food operations worldwide.

AAFES is proud of its accomplishments in 2003 and even prouder that industry has recognized our achievements. Some of the awards we have received in 2003 include a third consecutive award as Consumer Electronics Retailer of the Year (an award we share this year with our sister military exchange services), the Private Label Manufacturers Association (PLMA) Salute to Excellence Award (co-winners with the Navy Exchange Service) for the development of the "Exchange Select" brand, and Home Fashion Products Association's (HFPA) 2004 Retailer of the Year award for international service, which AAFES will receive later this month. AAFES was acknowledged by the Travel Channel for operating the 2<sup>nd</sup> Best Fast Food Restaurant and the number one War Zone restaurant on the planet, the Kosovo Burger King. AAFES received operational and developmental awards from Pizza Hut, Taco Bell, Blimpies, Godfather's Pizza, Cinnabon, Charlie's Grilled Subs, Captain D's Seafood, and Burger King. In

addition, AAFES swept all four International awards presented by Popeye's Chicken and Biscuits Restaurants.

However, the most significant award was the recent presentation to AAFES of the American Spirit award by the National Retail Federation (NRF) at their annual convention for our support of the troops in contingency operations. According to the NRF, the award is given only under extraordinary circumstances for exceptional achievement and has been given previously only to former Presidents Carter and Bush and Senator Robert Dole.

We are celebrating our 2003 success, but we recognize that challenges lie ahead. We continue to work closely with the Unified Exchange Task Force and our sister exchange services on the exchange consolidation initiative as directed by the Deputy Secretary of Defense.

At the same time, we are preparing to transform ourselves in the face of potential force re-stationing actions overseas and to respond to projected costs both in terms of accelerated depreciation, local national workforce displacement, relocation, and lost sales. We know we face similar challenges as a result of Base Realignment and Closure (BRAC) actions. Both these costs will significantly impact the MWR dividend. Your support will be essential to ensure that Soldiers and Airmen do not bear the cost of these actions with a reduced MWR dividend.

To counter all of these challenges, we are focused on growing our business and reducing our costs. The purchase of an Enterprise Merchandising and Planning software solution will allow us to improve our supply chain as well as reduce our costs. We have linked our strategic plan to a Balanced Scorecard to establish corporate priorities, assist in goal setting, and establish accountability. We are in the second year of Market Based Pay for the management workforce which is migrating the company from "across the board" pay raises to merit increases, in order to control personnel cost and, at the same time, reward good performers. We are refreshing our stock assortment, looking for ways to better serve small communities, and revitalizing our marketing effort to ensure customers are educated about all of their AAFES benefits. We have asked the Office of the Secretary of Defense (OSD) to lift some of the remaining assortment restrictions currently prohibited by the Armed Service Exchange Regulation (ASER). As military families are asked to sacrifice more and more, we believe they should be allowed to make major purchases in their local exchanges, which offer quality merchandise, lower prices, and the industry's most favorable credit terms.

At the same time, we will continue to support the troops wherever they go. In the past year, I have traveled the world and observed the ever-improving AAFES benefit to the military community. New facilities are underway at home and overseas. In Korea, we expect to open a new store at Camp Stanley this year and we are building a long overdue BX at Osan Air Base. In Germany, we should break ground this year on the largest AAFES facility in the world at Ramstein Air Base for the Kaiserslautern Military Community. We are constantly upgrading, renovating, and improving our facilities. Thanks to second destination transportation support, we have been able to hold prices on merchandise overseas to AAFES stateside value.

Now in our second century of service, AAFES remains committed to serving the "best customers in the world" wherever they go. Just like our brave men and women in uniform, AAFES is in Iraq and other locations for the long haul. As you visit these deployed locations, I hope you will all take the time to visit a PX or BX, greet our wonderful customers, make a purchase or two, and say a special thanks to the AAFES associates delivering this benefit to American heroes.

As I celebrate my 30th year in the Army, I am convinced the exchange benefit has never been more important and AAFES has never been more relevant. This subcommittee (in one form or the other) has been with us through good times and the bad, and I believe you can share my pride in the retail history AAFES has made this year; unprecedented support on the

battlefield; energetic engagement back home, and an incredible bottom line. With your support, AAFES will continue to provide the quality of life benefit that Soldiers, Airmen, retirees and their families deserve.

STATEMENT OF  
RDML WILLIAM J. MAGUIRE  
COMMANDER, NAVY EXCHANGE SERVICE COMMAND

BEFORE THE  
HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE

3 MARCH, 2004

Mr. Chairman, Secretary Abell and distinguished Members of the Total Force Subcommittee. It is a privilege to appear before you today for my final Testimony to this Congress on behalf of the Navy Exchange Service Command (NEXCOM). I am proud to represent the Navy Exchange Service Command and its 15,000 dedicated associates to provide this Subcommittee an overview of the Quality of Life enhancements we provide our military men and women, reservists, retirees, and their families. This, after all, is the Total Force. Quality of Life is essential to recruitment, retention, and readiness and our programs are an essential part of that support, providing a very valuable form of non-pay compensation to our Navy families around the world, no matter where they are located, afloat and ashore.

Navy Exchanges were established in 1946 with the objective of improving Sailors' Quality of Life and to provide non-pay compensation as part of a total benefits package. While our stores, merchandise assortments, and services have continually evolved and improved over the years, one thing has remained unchanged - the ability of the Navy Exchanges to meet their mission by providing quality and savings to Sailors and to support their MWR programs. Last year we provided Sailors and their families with average savings of 15.8% before sales tax, while still contributing \$49 million to their Morale, Welfare and Recreation programs. The additional sales tax savings, which averages 6.4%, significantly increases the savings to our valued customers. Our Sailors are not only our valued patrons; they are truly stakeholders in their own Navy Exchange system. (Not only Sailors, but retirees and Reserves)

**Five Years of Continued Improvement**

I am pleased to report that during the past 5 years, we have increased our retail sales by 32% and our total sales by 24%, surpassing many of our commercial counterparts. Our projection for 2003 retail sales is \$1.6 billion, up 6.7% compared to 2002. In FY03 the Ships Store program generated \$118 million in sales and returned \$17.2 million in profits back to ships for their recreation and morale programs. Sales at our recently renovated stores continue to drive our total sales increases. In 2003 we experienced the following sales increases over the prior year: Little Creek up 27%, Pearl Harbor up 27%, Oceana up 13% and Sigonella up 21%.



Our exchange operating profit, which measures the performance of our stores, has shown a significant increase of 51% since 1998. Our FY03 exchange operating profit is projected to be \$204 million, a 12.7% increase compared to 2002. Primary reasons for this significant rise are increased sales at our retail stores and a greater profit margin from our retail gasoline operations.

Over that same timeframe, our Customer Satisfaction Index (CSI) continued to improve. Our 2003 CSI score was 76, an eleven-point increase since we began the survey in 1999. Our customers help define the actions we are taking through their input to our CSI. . Based on what they tell us, we are identifying and expanding our high priority merchandise categories, making ongoing improvements in our merchandise assortment, and working to further improve and expand our Uniform Shops. As we implement Retek, our new retail software package, our buyers' visibility of in-stock conditions and sales history improves, giving them the ability to further tailor stock assortments to local demographics. To continue to meet our mission and provide reduced prices and a steady dividend stream to MWR, we are focusing significant efforts on better ways of becoming more efficient and effective in what we do. Our ability to increase sales and sustain our operating profit is a direct result of improvements to our back room operations. We are realizing the benefits of implementing Retek and we continue to refine and improve our ways of doing business. Our customers tell us they want convenient one-stop shopping, and we are working with the Defense Commissary Agency (DeCA) to co-locate our facilities wherever possible. As we renovate our stores, we are consolidating locations into one convenient shopping experience.

NEXCOM's consistently enhanced performance demonstrates that we are a laser-focused, proactive organization and that is a direct result of our continuing drive to improve our organization and the products and services we provide our Sailors. The main drivers to our continuous improvement are our store renovation program, information technology modernization and most importantly, a performance driven team of associates. We have developed a financial roadmap to the future, our Cornerstone Document, to examine our past, present and future financial condition. Our Cornerstone Document is not just a tool to be used to monitor the pulse of our organization, it is a compact we have with the Department of the Navy and our customers to deliver an improved benefit to them that will last for decades to come. It is our commitment to our Total Force.

### **Delivering Savings and Quality of Life Benefits to the Navy Family**

The Navy Exchange Program serves Sailors and their families around the world with products and services through our Navy Exchange stores, Ships Stores, Navy Lodges, Navy Uniform Program and Personal Telecommunications Program. With 109 main stores around the world, Navy Exchanges offer the widest selection possible to provide convenience, savings and satisfaction to our diverse population. Our merchandise strategy is to serve as a high volume discount store for our young enlisted members and their families at prices they can afford, and as a department store to our higher-ranking members and retirees. The Navy Exchange is a unique retailer that buys consumables, hardlines and apparel in opening, moderate and some higher price points. An example of this is our apparel lines. Over eighty percent of our sales in apparel are from opening to

moderate price point merchandise, in both dollars and units. Our own opening price point, "Basic Concepts" brand offers quality clothing and accessories at very affordable prices. While our moderate price point, "Modern Images" brand line of casual clothing for men and women has styles and quality comparable to department store lines. The higher end of apparel, 16% of our sales, is met by offering name brand clothing at discount prices. No commercial retailer outside the gate can make this claim or serve all our customers as well as the Navy Exchange. Providing such a broad range of products and services to such a diverse population is a challenge, but it is one we gladly embrace and aggressively strive to improve.

The Navy Exchange is much more than a store. The complexity of our business is greater than traditional retailers with 16 different store models we support, each involving a different assortment of merchandise. Besides our main stores, we operate mini marts, fleet stores, autoports, bookstores, and recruit stores just to name a few. We also provide optical shops, photo services, long term parking services, hair care, laundry/dry cleaning, gasoline stations, flower shops and auto repair services. In eleven overseas locations where a commissary operation is not available, but the need still exists, NEXCOM operates stores with the cooperative support of DeCA. These stores carry a mix of Exchange and Commissary type merchandise. We call these unique stores NEXMARTS. Last year these locations showed a sales increase of 9.7%, proving that they continue to provide a needed benefit to our military family. We also operate one retail store in Orlando, Florida currently using the BXMart model concept.

Our Ships Store program is expeditionary, sea-based and provides essential Quality of Life services to Sailors and Marines serving on fleet ships around the world. Since Congress authorized a Ships Store operation in 1909, the program has taken care of our Sailors and Marines. Whenever our Sailors are called to sea, our Ship Stores program goes with them. The tempo of fleet operations remains high and we go where our customers go. Over 50% of our ships are at sea and approximately 30% are forward deployed. We provide retail stores, vending machines, barbershops and laundry facilities to make seagoing life better. Ships Stores are operated using appropriated funds and generate dividends to support shipboard MWR programs that are so vital to building morale and readiness of our Sailors at sea. Our afloat telecommunications program, which provides that vital underway phone link home to our deployed Sailors and Marines, continues to be one of the biggest shipboard morale boosters.

Whether our patrons are on permanent change of station orders, temporary duty, or leisure travel, our customers can enjoy the hospitality and award winning service of a Navy Lodge at an average savings of 43% compared to commercial lodging. With over 3,000 rooms in 42 locations worldwide, our guests are assured of clean, comfortable and affordable accommodations, all available through the convenience of our toll free central reservation number, 1-800-NAVY-INN, or online through our web page. During the past year, our Navy Lodges answered the call when reservists needed temporary lodging before their units were deployed. The Navy Lodge program is funded almost entirely through self-generated revenues.

The Navy Uniform program provides authorized uniforms to Navy personnel, both active and reserves. Additionally, through one of many cooperative efforts with the other military exchange services, we provide in-store uniform support to the other services at

some locations. In another cooperative effort, the Navy Exchange Uniform Support Center provides the same mail order service available to the active and reserve Sailors to the Marine Corps. The Uniform Support Center offers a worldwide mail order service and online web store; both are fast, convenient and easy to use. Navy Uniforms are just a phone call away using our 24/7 toll free telephone numbers or few clicks away using the internet. When what our Sailors need is not in stock in any of our Uniform Shops, we ship those products direct to their door with free standard shipping.

The performance of the Navy in Operations ENDURING FREEDOM (OEF) and IRAQI FREEDOM (OIF) was nothing short of outstanding and I am proud of the support we provided these dedicated and loyal service members. Operations in theater saw the surging of six Carrier Strike Groups, three Amphibious Readiness Groups, two Task Forces and various other ships to the Persian Gulf. For the Ships Store program, the 72 ships represented a logistics challenge that we successfully met through an effective partnership with our vendor community, real heroes in providing logistics support. In partnership with base security and supply personnel, our Ships Store team worked with vendors across the United States who willingly arranged special deliveries of merchandise, redirecting merchandise and making after hours, weekend deliveries to meet emergent fleet needs. The end result was that each ship left the pier fully loaded and ready to meet the Quality of Life needs the war fighters demand. Likewise in the theater of operations, our resupply channels operated successfully to continue to provide merchandise to ships that had to remain on station to prosecute the war. Working with our vendor partners, we were able to provide wounded service men and women with care packages. In our advertising, we provided awareness that the Navy Exchange was here to support the families of those deployed with the every day essentials in a safe and friendly environment and with styles and quality comparable to department store lines. Our Uniform Support Center's mail order service and online web store proved to be invaluable in serving the myriad of deploying Sailors and Marines in support of OIF and OEF, both active and reserve, as well as Soldiers and Airmen for common items such as the Battle Dress Uniform. Our dedicated staff is meeting the needs of our forward deployed service members on a daily basis. In recognition of the sacrifices and outstanding service of our Sailors and Marines, NEXCOM provided 116,965 free \$10 prepaid phone cards to 115 ships that either participated in OIF or were deployed during the holiday season. We also provided 12,950 free cards to the Bureau of Medicine and Surgery for distribution to Rota Naval Hospital and CONUS hospitals to provide to service personnel who were being treated for injuries suffered in OIF action.

A key element to the future viability of the Navy Exchange system is capitalization. After an extensive NEXCOM Headquarters review, and in full partnership with our shore activity hosts, we invested over \$56 million in capitalization projects with return on investments that will further improve our operating profit and MWR dividend. One investment made last year, a new store at Little Creek Amphibious Base in Norfolk, VA, is already exceeding sales expectation. This project helps illustrate the tenets of our capital project investment strategy developed through customer feedback – consolidation of multiple NEX locations into one, co-location with the Commissary where possible, store sizing to meet that specific local customer base, and expanded sales space for greater merchandise selection and customer circulation space. By addressing the facility issues most important to our Sailors and their families, we have experienced a sales lift



and customer satisfaction at recapitalized locations. As we continue our recapitalization plan in the future, we are confident we will continue to make smart investments that improve service to our customers and our bottom line.

To provide our customers the name brand services they desire, we rely on our Public Private Ventures (PPVs). NEXCOM continues to expand its food services program by partnering with the commercial industry. One of our most recent accomplishments is the development of the Pentagon's food service operations, offering a variety of options from food courts to sit down tablecloth service in the Executive Dining Room. In addition, NEXCOM was just awarded the food service contract for the Defense Intelligence Agency where we will provide name brand food sources for their food courts and catering services. NEXCOM has also experienced great success by using our existing contracts to support the Marine Corps, Coast Guard and Navy Morale, Welfare and Recreation program. Some of our current initiatives include: Taco Bell and Kentucky Fried Chicken at Rota, Spain opened at the end of February 2004; development of a freestanding Applebee's Restaurant and replacement of a McDonald's at North Island, California; a food court consisting of Popeye's Chicken, Del Taco and Subway at Gricignano, Italy and a food court featuring Taco Bell, Kentucky Fried Chicken, Subway, Freshens Yogurt and Starbucks Coffee at Naval Hospital Portsmouth, Virginia. All are examples where NEXCOM continues to meet the needs of our military customers.

The measure of our success will be our ability to continue increasing our sales, our profitability, our contribution to MWR but, most importantly, our service to our Sailors. We could not steer the course for this success without our associates. Their dedication and commitment to serving the Navy family are evident everywhere I go. We have successfully looked to experts from the civilian sector, employing individuals from industry who provide an understanding of commercial business practices, to complement the dedicated associates who have spent their entire careers serving our Navy family and understand the unique needs of our patrons and challenges of running exchanges. Together they comprise a strong team who can successfully steer our exchange system into the future, just as we have achieved sales increases over the past five years.

In working to improve the benefit for our patrons, we appreciate the Subcommittee's past support in lifting some of the Armed Services Exchange Regulations restricting what we can sell. We continue to survey the commercial retailers annually and have received very few negative reactions from local businesses. Our latest report has just been sent forward to the Department of Defense for consideration. Of the 201 letters to local merchants and 15 letters to Chambers of Commerce in proximity of Navy Exchange locations, we only received three negative responses, two from merchants and one from a local city government. The negative responses did not identify how much of a loss they expect. We also received a supporting response from a Chamber of Commerce stating "The proposed lifting of the new ASER restrictions are deemed to have a positive impact on area military members and their families and little financial impact on local area business". The exceedingly small response to this year's survey, as well as the previous two surveys, substantially supports our position to lift the remaining ASER restrictions. Of the remaining restrictions, the one that has become most critical in today's technology is the restriction on projection televisions (TVs). The FCC has mandated that manufacturers include Digital Tuners in 50% of TV sets 36" and larger by 1 July 2004



and 100% by 1 July 2005. TV production is rapidly shifting to Digital Television (DTV) sets that can receive and display a High Definition picture. Significant technology changes have resulted in reduced costs and increased the total size of projections TVs. The result is the industry is making these TVs more affordable and desirable. Projection TVs account for 75% of DTV sales. With current TV restrictions, we are actively forcing our Service members to go off base and spend more for their TV, and more than likely, incurring very high interest rates to finance their purchase. In this era of the Global War on Terrorism, our Service members are putting their lives on the line every day. They serve their country with the utmost diligence and devotion to duty. It is essential that we serve and address their purchasing power and merchandise selection by establishing parity with the private sector by lifting the ASER restrictions.

### **Meeting the Challenges**

While the competition outside our gates continues to grow and become more aggressive in marketing to the military customer, we are pleased to announce that our retail sales growth exceeds our industry counterparts.

We operate many small exchanges at remote, isolated and overseas locations. Commercial retailers would not operate these stores. In most cases our stores are filling a need that would otherwise not be met. The top third of our stores in sales, contribute 81.2% of our sales and 80.9% of our profits. Because of these top stores, we are able to continue supporting the marginal operations and still achieve an overall profit that meets our capitalization and MWR dividend needs. The bottom third of our stores account financially for only 2% of sales and 3% of net profit but they are every bit as important as our flagship store in Pearl Harbor because they take care of our Navy families.

Our biggest challenge continues to be the fixed cost of our business. The cost of the Unified Department of Defense healthcare program continues to rise at a daunting pace; 2003 post-retirement medical expenses alone have increased by \$3.4 million over 2002. Our Pension Plan, is over funded, but is typical of most commercial plans in that it shows increased expense as a result of the current low interest rates and the earlier three-year stock market decline. These pension fund expenses accounted for an \$11 million decline in profit over 2002.

During 2003, we started closing our Roosevelt Roads store, at a cost of \$14.2 million. This will impact our bottom line and dividend to MWR. During 2002, the last full year of operations at Roosevelt Roads, this store provided the Navy Exchange System with \$41 million in sales, \$6 million in profits, which represents \$4.2M in MWR contributions.

### **A Valued Benefit**

Our patrons are primarily the Navy active duty, reservists, retirees and their families located around the world. Each of them looks to the exchanges to serve them throughout their careers and into retirement, wherever their duty requires them to go. Exchanges are not only provided because it is the right thing to do but also because, as supported by research, these programs positively and directly affect the recruitment, retention, and

performance of our people. As confirmed by the January 2003 Status of Forces report, Sailors are more satisfied with Exchanges and Commissaries than any other Quality of Life benefits. Today we are needed more than ever. We are there on the ships when they are deployed to meet their health and comfort needs. We are there to take care of the families they must leave behind. As our reservists answer the call to duty, we are there to meet their needs also. Our Sailors view their exchanges as a valuable non-compensation benefit and an important factor affecting their career decision.

The population of retirees continues to grow. They are an integral part of our Navy family and we need to ensure the products and services we offer are what they want. With the potential for more base closures, our opportunities to serve our retirees may become fewer. They view exchanges as part of their entitlements for the many years of loyal service they provided our country. Where possible, we will continue to provide them a place where they can shop and save money.

Our Navy Exchange System is in many ways a family business, operated for the benefit of Navy families by Navy families. Twenty eight percent of our associates are military family members, earning an average salary of \$22,654. Many of the concessionaires we partner with also employ military family members.

### **Exchange Consolidation**

NEXCOM is participating in Department of Defense's Unified Exchange Task Force (UETF) effort to develop a plan for integration of the three service exchanges. We are participating actively and openly to help shape the future of a combined exchange system. We will act aggressively to safeguard our patrons' benefits: MWR dividends, price and selection. We will be vigilant in ensuring that NEXCOM associates have fair and equal access to employment in any combined exchange system. These are our three basic tenets. We are committed to the 19 operating precepts developed in conjunction with the other Exchange Commanders. First and foremost, exchange integration must result in measurable improvement in the current level of value defined by merchandise selection, merchandise availability, price savings, customer satisfaction and MWR support. In order for this effort to succeed the Unified Exchange must operate on a common Information Technology Platform (IT) platform and support the same critical best business practices. As long as the process follows the operating precepts we established, I am confident that Congress will have accurate information to determine if the consolidation effort should proceed.

Throughout January, the UETF work teams, comprised of representatives from each of the exchange services, began their work by developing a baseline assessment of current operations for all three exchanges. The process framework is good; however, we do have concerns that a full due diligence will be difficult with the aggressive timelines for data collection/decision making. We also recognize that normalizing data across the service exchanges will be challenging but we are confident we can work through these difficulties.

As we have reported, our Sailors are dependent upon on the Exchange benefit and we cannot lose sight of this in the process. We feel strongly that risk mitigation strategies must be addressed, particularly the risk to top-line sales. We have received assurances

from the UETF that risk mitigation would be addressed and we look forward to seeing the plan. Many documented studies have shown that the majority of merged companies experience revenue declines that far outweigh the benefits of any consolidation.

Our associates are very dedicated to providing the exchange benefit, but have concerns about their future. These concerns were captured in our 2003 Associate Satisfaction Index (ASI). Our 2003 Headquarters/Administrative results were 63, one point below our 2002 score. The ASI showed the uncertainty and personal concerns about potential Exchange Consolidation as evidenced by a drop of 22 points (from 72 to 50) on the question "I feel good about the future of the company", even in a year when our company performance has been very strong.

While we are actively engaged in helping shape the future structure and operations of a possible combined exchange, we will continue our focus on providing our customers the right products and services at the right price. Serving our Sailors, our retirees and their families will always be our number one priority. This is the covenant we have made to our Navy.

In conclusion, our Navy Exchange System is financially strong and is meeting the needs of our Sailors and their families around the world everyday, today and into the future. Our strong performance is a direct result of the strong support of our patrons, our dedicated associates, our industry partners and the support of each of you on the Subcommittee and in Congress. Together we can protect the benefit and maintain the commitment we made to the men and women who have served, and continue to serve, our country so well.

Thank you for the opportunity to address the Subcommittee. I will be pleased to respond to any questions you may have.

**STATEMENT OF  
MAJOR GENERAL MICHAEL P. WIEDEMER, USAF  
DIRECTOR, DEFENSE COMMISSARY AGENCY**

**BEFORE THE  
TOTAL FORCE SUBCOMMITTEE  
OF THE  
COMMITTEE ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES**

**MARCH 3, 2004**



Mr. Chairman and Members of the subcommittee, it is my pleasure to appear before you to provide an update on the Defense Commissary Agency (DeCA). Serving as DeCA's Director for the past 20 months has not only been very challenging, but also the most enjoyable time of my career. DeCA has achieved many of the goals I spoke of last year in my update to the subcommittee, but I have learned that maintaining a strong commissary benefit is a never-ending task. With the outstanding support provided by this subcommittee, and the legislation the Congress enacted last session, I am pleased to report that the commissary benefit is the strongest it has ever been. On behalf of all of the members of the Armed Services community we serve—thank you for your unwavering support of the commissary benefit.

### **A YEAR OF SUCCESSES**

DeCA had a great fiscal year 2003! Not only did we receive a clean audit report for the second year in a row, a feat that only two other Defense Agencies achieved, but all the numbers moved in the right direction. Sales were up; operating costs came in below budget; we doubled capital investment; and we achieved the highest customer satisfaction scores ever. For the first time in DeCA's history, every one of the 14 categories included on the customer satisfaction survey of store performance went up, as well as the overall score. We are even more pleased that the external survey conducted for the Department of Defense through the American Customer Satisfaction Index verified the satisfaction of our patrons, awarding us a score of 76, compared to a rating of 74 for America's supermarket industry. Patron savings at over 30 percent, continued to be strong and the overall condition of our shopping facilities improved with the expanded construction program made possible through the Surcharge Revitalization Plan you enacted in 2000. Moreover, cumulative cost savings initiatives of over \$123 million have been delivered since fiscal year 2000, and on the technology front, we developed a data management strategy and are improving our business capabilities and efficiencies. The outstanding men and women I lead at DeCA, our industry trading partners, the Commissary Operating Board, our leaders in the Department, and the Members of Congress, collectively should take credit for these achievements. I thank each and every one of them for their steadfast support.

### **A YEAR OF CHALLENGES**

Yet, the year was not without its challenges! Some were the daily challenges experienced by any retail business, such as delayed or short deliveries.

Others were more serious—like overcoming damages and shortages caused by typhoons, a hurricane, an earthquake, power outages, wild fires, and a distributor bankruptcy. Some were unique to our military clientele. Supporting families left behind became a principal focus, particularly at those installations that experienced the deployment of a large number of troops. To accommodate this changed family structure, the amounts and types of products stocked required adjustment. And those adjustments did not just occur at the losing installation, but also at the receiving installation. The opportunity presented by your extension of full commissary shopping privileges to Guard and Reserve members and their families was another positive challenge—ensuring a whole new group of people are aware of and use their expanded commissary benefit. We gladly accept this challenge and continue to work with Guard and Reserve commands and support organizations to get this vital message to our Guard and Reserve families. Guard and Reserve use of their commissary benefit has a positive impact upon their morale, shown a slight increase in sales, no detrimental impact on customer service, and no increase in costs. Let me thank you for extending full commissary privileges to the Guard and Reserve and recognizing the important role these members and their families play in the total force structure.

Perhaps our biggest challenge is our re-engineering effort. Our strategic planning process and our pursuit of best business practices led us to this re-engineering initiative. We are no different from the rest of DoD and industry in this regard. Re-engineering is required not only to meet DoD transformational goals, but also to survive in the retail marketplace. Retailers must adapt to meet changing customer desires; accommodate new products and product lines; and meet the productivity and efficiency demands necessary to stay competitive. Just consider the frequency and magnitude of consolidations and reorganizations that have occurred in the commercial marketplace over the past year. Our comprehensive transformational effort is designed to make us as productive and competitive as possible. It will position DeCA to respond to competitive sourcing goals and the General Accounting Office recommendations on overhead and productivity, as well as taking advantage of any opportunities that may be presented through the implementation of the National Security Personnel System.

Benchmarking the best practices found in industry and focusing on our critical key processes, the DeCA re-engineering effort will integrate and streamline all corporate and store-level activities over an 18 to 24 month period. Our two-pronged approach recognizes the center of attention must be on our stores, and that all of us collectively must do our part to ensure their success. This focus on store-level will facilitate the more efficient and effective operation of all of DeCA. We

are reducing the number of personnel classifications and the ratio of full-time employees to part-time employees; in short, we are adapting industry practices that have proven successful. The concentration above store-level will create a unified organization providing corporate support to our stores. By fostering a multi-skilled workforce which promotes flexibility and innovation, our re-engineering effort takes advantage of the opportunities created by the recent change in OMB Circular A-76 to develop the most efficient organization for our stores and at our above store-level activities. In the past, our study of individual functions within stores, coupled with an inflexible personnel system, eliminated the potential for developing a more multi-skilled workforce similar to that found in the commercial sector. I am confident that this effort will posture the DeCA workforce to be competitive in future studies.

### **CHALLENGES ON THE HORIZON**

Three other challenges are being addressed this year: A solution to the continuing combined store issue; exploiting the strengths of the individual military retail entities to benefit the entire resale system; and identifying which eligible patrons do not use our commissaries.

The combined commissary and exchange concept established by section 2490a of title 10, United States Code, has not been successful. Commissaries and exchanges are dissimilar operations with separate and distinct missions and have each developed an expertise in fulfilling their respective missions. Attempts to combine both into a single operation that is financially viable have proven to be a difficult, if not impossible, challenge. I do believe, however, that if a commissary benefit is going to be provided to our patrons, it should be at the expense of appropriated funds, not at the expense of the exchange. The exchanges and DeCA are continuing to work on this issue; I'm confident that we'll collectively come up with an acceptable solution in the near future.

We are continuing to explore opportunities for cooperative efforts with the exchanges, the Veterans Canteen Service, and the Service MWR activities, to improve efficiency and/or drive costs out of the resale system. Our initial efforts have focused on identifying candidate projects in construction, acquisition, and information technology realms. I believe there are some opportunities for real cost savings if we look at the common aspects of our individual and separate and distinct businesses.

Finally, we are making a concerted effort to identify patrons that do not currently use the commissary. We have inserted questions in a number of military surveys to help identify the reasons that some people do not use our stores so that we can refocus on customer service and institute more effect traffic-building strategies. You have recognized the critical importance of the commissary benefit as part of the compensation and benefits package for our military family; it is up to us to do all that we can to offer what our eligible patrons desire. A benefit is only as valued as it is used.

## **FOCUS ON THE FUTURE**

DeCA has successfully shifted from an input and budget-based culture to an output and cost-based orientation to become a proven leader in both the Department of Defense and the supermarket industry. It benchmarks well against major grocery chains. For example, the Defense Commissary Agency remains the industry leader in sales per square foot, sales per store employee and sales per transaction. Our results—sales, savings, cost reduction, and customer satisfaction, all show positive trends. We got there by asking the hard, and sometimes unpopular, questions. More of those questions require answers if we are to maintain this leading edge and with it, the commissary benefit. One of those efforts involves the request by the Department that we examine the effect of expanding our Best Value Item product line so that it more closely resembles the private label program found in commercial supermarkets and what the effect would be if variable pricing were used to manage the gap between the best value and national brand products while sustaining an average savings of 30 percent on all products. I expect to deliver the results of this study to the Department by the end of this month.

We continue to look for efficiencies that will benefit the commissary system. We are on the verge of completing our review of existing processes and functions and at that point will have squeezed virtually every efficiency we can out of the existing commissary system. Future efficiencies, I believe, will come through technological advances. We have just started testing one of those advances—self-checkout—at our Langley Air Force Base, Virginia store. We also see great potential in Radio Frequency Identification (RFID) technology for inventory management. While there are many technological improvements being developed with the promise of producing efficiency, we will exercise good stewardship and prudent management to ensure we only pursue promising technologies.



## CONCLUSION

Last year I told you our goal was to create “Raving Fans” of our customers, our suppliers and our employees. This year I am happy to report that we are well on our way. I am also pleased to report that the commissary benefit is the strongest it has ever been. Not only in a retail sense, as demonstrated by the enormous successes I outlined earlier, but also in our governance of this integral element of the total compensation package. While it may seem trivial for an entity like DeCA, that costs about one-quarter of one percent of the Department of Defense budget, to crow about their cost savings initiatives and stellar performance—never before has the taxpayer and customer gotten so much “bang for their buck” from the commissary system. We have been blessed with great people, not only employees and suppliers, but also great supporters like the Members of this subcommittee. Yet we are mindful that we must be ever vigilant in looking for new opportunities to improve the commissary performance. All of us at the Defense Commissary Agency recognize that we have been entrusted to administer one of the most valuable benefits our Service Members enjoy. And, we, at DeCA, proudly wear that trust like the “badge of honor” it is!

**STATEMENT OF  
LLOYD JOHNSON  
CHAIRMAN OF THE ARMED FORCES MARKETING COUNCIL**

**BEFORE THE  
TOTAL FORCE SUBCOMMITTEE  
ON THE  
COMMITTEE ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES**

**MARCH 3, 2004**

Mr. Chairman and members of the Subcommittee on Total Force:

My name is Lloyd Johnson, Chairman of the Armed Forces Marketing Council (AFMC). The Council was incorporated in April 1969 as a non-profit business league, composed of firms representing manufacturers who supply consumer products to military resale activities worldwide. (A list of firms serving on the Council is at **Exhibit 1.**)

The AFMC mission is as follows:

- Promote unity of effort through a cooperative working relationship among the Congress, the military, and the industry.
- Provide a forum for addressing industry issues.
- Assure worldwide availability of quality consumer products at the best possible prices.
- Assure continued congressional support and funding of the resale system.
- Assist in maintaining the resale system as an integral part of military life.
- Promote awareness of sales and marketing agency services to the military resale system.

Council firms subscribe to a code of ethics requiring that each member firm maintain the highest level of integrity and professional conduct, critical to the continuation of successful service to the Armed Forces and American manufacturers.

Military sales and marketing agencies, comprised largely of small, privately-held businesses, were formed in response to the need by manufacturers for efficient, specialized sales representation to this unique, worldwide military resale market. These firms have developed marketing and merchandising programs specifically tailored to the military resale system, and those services are offered at a lower cost to manufacturers than those same manufacturers could provide using their own resources. If that were not the case, the firms belonging to the AFMC would not exist.

In fact, many AFMC firms have been in business since the mid 1940's, which has clearly resulted in better services and lower prices to the military patron for many, many years on a wide range of goods. Through the link they form between the resale system and the manufacturers, they have also helped to assure the continuous availability of the complete array of consumer products normally available to the civilian market.

AFMC firms represent over 400 manufacturers, both large and small. (See **Exhibit 2.**) Our firms have a total of over 2,800 people working directly in the stores and with the various headquarters, side by side with our military partners, to make sure that the right products are on the shelf in the right quantities and at low prices. By so doing, they have played a significant role in helping the resale system become part of the fabric of military life. In fact, surveys confirm that commissaries are the #1 non-pay benefit to military families, even surpassing health care.

It is important to convey to you, the members of the Subcommittee on Total Force, that the AFMC members see themselves:

- As "stakeholders" in the military resale system
- As interested in and concerned about the continued viability and health of the resale system
- As having a perspective based on many decades of experience in servicing the military resale system

Mr. Chairman, as always, the AFMC is keenly interested in doing its part to assure the continuation of the military resale system and the current value it provides to our Service members and their families. We hope the information and perspectives offered today will be of use to you in your review of the resale system.

The importance of the commissaries and exchanges to the Armed Forces community including active duty, National Guard, reserves, and retirees, cannot be overstated. They play a critical role in recruitment, retention, and readiness. This is especially true when you consider that the United States relies on a volunteer force that is only modestly compensated and operates in some extremely dangerous locations around the world in the current war on terrorism. Add to that the intensely stressful conditions under which our Armed Forces have been working these past two and a half years, and the case for continuing important benefit programs is extremely compelling. In fact, any effort to diminish the availability and value of the commissary and exchange benefit seems indefensible to the members of the AFMC.

### **Privatization of Commissaries and Contracting Out**

The AFMC is concerned with repeated overtures either to privatize the commissary system, or to contract out additional functions. We believe this threatens the very existence of the military resale system, or at the very least would interfere with their ability to provide needed goods and services at the lowest possible prices.

Both Congress and the DoD have over the years considered numerous proposals to privatize commissaries in their entirety, and have repeatedly rejected them as unworkable or counterproductive. We hope that rejection continues, because privatization would undermine an institution which has, since its inception in the early nineteenth century, been an integral part of the total compensation for military members regardless of status or rank, and which just last year was codified in law. Mr. Chairman, I have attached at **Exhibit 3** a position paper entitled "The Case for Military Commissaries" which addresses this subject in greater detail.

Related to privatization is the continuing pressure on DeCA to contract out more functions or segments of its workforce. It is important to know that DeCA already contracts out or "out-sources" several functions that make good sense from a cost and management control standpoint. These include custodial and shelf-stocking services, distribution (in the U.S.), deli's and bakeries, and most store re-sets. To force further contracting out would seriously complicate DeCA's ability to deliver core services, manage the stores, and train and motivate a flexible workforce. It is also important that DeCA avoid potentially serious interruptions caused by bankruptcies, strikes, and other contractor defaults.

It is precisely for all those reasons, that successful civilian grocery chains do not "out-source" core functions such as store management, procurement, meat or produce departments, etc., etc., any more than Congress would consider "out-sourcing" important staff positions on the Hill.

Finally, the timing is completely wrong to force further contracting out. First, DeCA is in the beginning stages of an extensive "re-engineering" process that seeks to sharpen its focus, develop a more flexible workforce, and improve efficiency (these efforts are supported by the AFMC). Second, the Defense Department and Congress



are tackling issues like BRAC and other force re-structure plans that by themselves will more than challenge DeCA to deliver the benefit in a rapidly changing environment.

Mr. Chairman, the AFMC feels strongly enough about this contracting-out issue to respectfully request that the Department of Defense be urged to provide DeCA with temporary relief from the requirement to compete with proposals from outside contractors for a period of at least five years. This would allow DeCA to concentrate on delivering the benefit during a dramatically changing environment from now until 2009.

### **Variable Pricing**

The AFMC is also concerned about another initiative coming out of the DoD. The DoD recently ordered DeCA to conduct an independent study to determine the feasibility of implementing variable pricing in commissaries. In the directive for the study, one of the stated objectives of variable pricing is to produce revenue to offset at least part of the appropriated fund subsidy for commissary operations. We believe that if this is ever approved, DoD will gradually seek even higher mark-ups to eliminate all appropriations, and that resulting higher prices would cause the demise of the commissary system within a very few years.

Variable pricing is a strategy that is used by all civilian supermarket chains and by the military exchange systems. But there are very good reasons why that should NOT be introduced in the commissary system:

- The main reason for "variable pricing" is to achieve specific profit objectives. DeCA, by law and tradition, is not a profit-making organization.
- It is possible to change the law. But generating a profit at DeCA in any manner, applied to any or all items, can only raise prices to military families, which in turn reduces the value of the commissary benefit. **EXAMPLE:** A mere 2% average mark-up on current cost prices, would take \$100,000,000 out of the pockets of uniformed troops and their families, retirees, reservists, and National Guard members.
- If selected shelf prices are raised by adding margins to the cost prices, and others are lowered, in equal amounts, with the intent to allow commissaries to compete more directly with outside-the-gate retailers on "loss-leaders" and other traditionally "low-margin" items, the cost of additional staff and software to administer such a program would add to DeCA's operating expenses, with no overall benefit to the patrons.
- If a small profit margin was just added to "Best Value Items", the revenue produced would be minor, but the overall benefit would still be degraded, especially for those military families who are on the low end of the pay scale, and tend to purchase "budget" brands.
- If OSD believes variable pricing can be used to even out the differences in "savings" from one area of the country to another, the complexities involved with such a task are formidable, to say the least. Besides, why should military people pay more for groceries in one area of the country versus another? Since compensation is largely uniform throughout the U.S., within the same ranks, uniformly low grocery prices should be the goal, not uniform "savings" versus outside-the-gate.

- If any shelf prices are raised because of "variable pricing", it would remove from the commissary environment the two factors which drive the low cost prices that currently prevail:
  - ♦ COMPETITION among manufacturers, who can see each other's shelf pricing every week and react accordingly with their best price offers.
  - ♦ Manufacturers' ASSURANCE that the price they offer will go directly to the patron, not to retail margins. (Changing this paradigm, will significantly alter DeCA's relationship with their supplier community.)
- If DoD's intent with variable pricing is to reduce the current 32% savings level to 30%, on the belief that 32% is simply unnecessarily too high, the AFMC would point out that depending on the surrounding area, the savings can occasionally go as low as 15% to 20%.

The AFMC submits that for all the reasons just mentioned, there is simply no justification for raising prices in any way in order to reduce the appropriated fund support for commissaries. Our military families will be wrongly and unfairly penalized. Such a move would be viewed as an erosion of the most highly valued non-pay benefit. This is precisely the wrong thing to do with a volunteer force already stressed by long and dangerous deployments.

### Store Closures

Mr. Chairman, the DoD recently directed DeCA to prepare plans to close several commissary stores and continue to monitor several others for possible closure. This action was based primarily on the failure of those stores to meet unit cost goals, and on their perceived close proximity to other stores. This initiative sparked considerable opposition within the military community, and by several senior officers, enough so that the plan seems to be shelved for the time being.

The Armed Forces Marketing Council, while applauding efforts by both OSD and DeCA to continually strive to streamline operations and reduce costs, is concerned that the criteria and procedures for future efforts to close commissary stores do not give sufficient consideration to the quality of life needs and overall welfare of the military community. We, therefore, ask that the Department of Defense be urged to ensure that quality of life, not budget pressures, be the overriding consideration in any decision involving establishment, continuation, or closure of a commissary store.

### Military Exchange Services Consolidation

The DoD has established the Unified Exchange Task Force (UETF) and charged it with developing a detailed plan for consolidating the existing exchange services into a single "optimized" Armed Services Exchange System. Mr. Chairman, while we recognize that there may be selected functions suitable for integration, it is the consensus of the Armed Forces Marketing Council, based on what we know today, that the risks of complete exchange consolidation into a single entity outweigh the potential or perceived benefits. We remain opposed to such consolidation until a compelling business case has been put forth to support it (e.g. lower prices, better selection, and increased MWR earnings), the risk environment has been significantly diminished, and, above all, that in no way would the current level of service for the patron be degraded.

We have submitted as **Exhibit 4**, a paper outlining what we believe are the criteria for successful achievement of total consolidation, and a list of significant risks inherent in full integration. We have also submitted in **Exhibit 5**, a paper prepared by a professor at the University of Virginia, that supports total integration. Also see **Exhibit 6**, a paper prepared by two professors at William & Mary that raises many unanswered questions about the logic in Exhibit 5— questions which we strongly believe should be answered with facts and figures, not just intuitive reasoning. We also want to draw attention to two recent articles earlier this year in the Wall Street Journal<sup>1</sup> that explain why such a low percentage of "Mega-Mergers" actually work to the benefit of stakeholders.

Finally, DoD officials may point to the success of DeCA in consolidating four separate commissary systems into one in 1991. That was a successful venture, and one that the AFMC supported once the case for integration was clear and convincing.

However, DeCA experienced many "growing pains" in the 1991-93 period, that resulted from consolidating systems that had only one "big box" store on each of 400 bases, and stock assortments that were common on about three quarters of the 15,000 or so active stock-keeping-units (SKU's). The Exchanges have 40,000 + active SKU's in a combination of main stores, troop stores, convenience stores, military clothing stores, liquor stores, gas stations, etc. They also manage restaurants, movie theaters, hotels, concessions, etc. The job of consolidating all those separate businesses, is enormously complex! And doing so in a way that will avoid major interruption in delivering the benefit is a very risky task at best.

### **Relief from ASER Restrictions**

The AFMC supports the lifting of ASER restrictions that prohibit AAFES, NEXCOM, and MCX from selling the latest types of advanced-technology TV's, and from offering sufficient facilities to sell the kind of furniture normally purchased by military families. The necessary studies have now been completed regarding the potential adverse impact on civilian retailers, and the overwhelming conclusion is that such an impact is zero or very minimal. Because the demand for this merchandise is well established, and because the troops need and deserve the ability to buy this merchandise at low prices, using low-interest Exchange credit cards with all kinds of financial safeguards, the AFMC strongly supports the lifting of these restrictions. We urge the Congress to act promptly on the DoD request for relief.

### **Summary**

Mr. Chairman, the Armed Forces Marketing Council continues to support the resale system benefit largely as it exists today, not because we oppose change, but because it works. But we also support efforts to improve efficiency and effectiveness, because our men and women in uniform, their families, retirees, reservists, and National Guard members, deserve no less from their government and the citizens of this country.

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<sup>1</sup> **Wall Street Journal**

- "When Dinosaurs Mate", by Gary Hamel, January 22, 2004
- "The Mega-Merger Mouse Trap", by David Harding and Sam Rovit, February 17, 2004

It is worth repeating that the resale system is the most highly valued benefit within the Armed Forces community.

We wish to reaffirm our long-standing belief that the resale system is a core function of DoD which contributes immeasurably to recruitment, retention, readiness and a sense of community that are all part of the fabric of military life.

In view of the billions of dollars spent on development and procurement of the best weapons and material for our armed forces, the resale system represents a reasonable cost to take care of the singularly most important element of these armed forces -- people!

Thank you, Mr. Chairman and members of the Subcommittee on Total Force, for your on-going oversight and support of the military resale system, and for the opportunity to offer the Armed Forces Marketing Council's comments to you today. I stand ready to take any questions you may have.



*Armed Forces Marketing Council***Member Firms****DIXON MARKETING, INC.**

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 Kinston, NC 28503-1618  
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 252/527-3967 FAX

**DUNHAM & SMITH AGENCIES**

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 West Palm Beach, FL 33407  
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**S & K SALES CO.**

2500 Hawkeye Court  
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**Exhibit 1**

**Major Companies Represented by Member Firms of the**  
***Armed Forces Marketing Council***  
**to One or More Segments of the Military Resale System**

Acclaim Entertainment	General Mills/Pillsbury	Oneida
Alberto Culver		Osram Sylvaania
Alcoa		Panasonic
Allergan	Georgia Pacific	Pentax
American Italian Pasta	Gillette	
Anheuser-Busch	Glaxo SmithKline	Pentel
Arizona Beverage	Godiva Chocolatier	Pennzoil Quaker State
Atari	Goodyear	Pepperidge Farm
Audiovox	Guess Watches	Pepsi Cola
B&G Foods	Haagen-Dazs	Perdue Poultry
Banfi Vintners	Hamilton Beach/Proctor Silex	Pfizer
Bausch & Lomb	Hanes	Philip Morris
Bayer	Hartz Mountain	Pictsweet
Bic-Sheaffer	Hawaiian Isles Coffee	Pinnacle Foods
Blue Bunny Ice Cream	Hawaiian Tropics	Playtex
Bonne Bell	Heineken	Procter & Gamble
Brachs Confections	Heinz	Quaker Oats
Bridgestone/Firestone	Hershey	Reckitt Benckiser
Bristol-Myers/ Squibb	Hills Pet Nutrition	Reebok
Brown & Williamson	Hormel Foods	Reilly Foods
Bush Beans	Hostess-Wonder	Riviana Foods
Campbell	IBP	Ross Labs
Canon	JVC	S. C. Johnson & Son
Carl Buddig, Inc.	Johnson & Johnson	Samsonite
Casio	Kikkoman	Sara Lee
Challenge Butter	Kiwi Brands	Sargento Cheese
Chattm, Inc.	Konami of America	Schering-Plough
Chef America	Konica Minolta	Sealy
Chicken of the Sea Seafoods	Kraft-Nabisco	Seiko/Pulsar
Coca-Cola	Lancaster Group	Seneca Foods
Colgate Palmolive	Land O' Lakes	Shasta
Columbia Sportswear	Lea & Perrins	Shop Vac
ConAgra	L'eggs	Shultze and Burch
Contico	Lego	Sioux Honey
Conwood Tobacco	Leiner Health	Slimfast
Dannon	L'Oreal	Smucker s
DeLonghi	Luxottica Group	Snapple Beverage
Del Monte	Marcial Paper Mills	Snyder's Pretzels
Del Pharmaceuticals	Mars, Inc.	Solo Cup
Diageo	Maybelline	Sony
Dial	Maytag	Stockmeyer
Dr. Pepper/Seven Up	McIlhenny	The Wine Group
Dreyers Edy's Grand Ice Cream	Melitta, North America	3DO
Dunlop Golf	Midway Home Entertainment	3M
Durex Products	Miller Brewing	Timex
EAS	Morton Salt	Tony's Pizza Service
Eastman Kodak	Motts	Tootsie Roll
Euro-American Foods	Multifoods	Unilever
Eveready	Musco Foods	United States Tobacco
Ferrero USA	Nabisco	U.S. Nutrition
Fleishmann's Yeast	Nestle	Vanity Fair Mills
Florida Natural	Neutrogena	Veryfine
Focus Golf	Newman's Own	VIP Frozen Vegetables
Frito Lay	Nike Golf	Vivendi
Future Brands	Norvartis	

Voquestrap  
Waterpik  
Welch's  
Wieder's Nutritional  
Wilson Sports  
Wrigley  
Yankee Candle

## *Armed Forces Marketing Council*

### *The Case for Military Commissaries*

The military commissary system is a proven, cost effective government program. It provides taxpayers a substantial return on their investment, and contributes toward a properly compensated military force. Misguided proposals to privatize the commissary system fail to recognize or sufficiently credit the following:

1. Computation of total military compensation considers the savings realized from shopping in commissaries. It follows that any reduction in those savings amounts to a reduction in military pay.
2. Commissaries effectively reduce the Defense budget by over one billion dollars, because their non-monetary compensation value to military people is more than double the amount of taxpayer dollars appropriated for their operation.
3. Military members and their families consider commissaries to be the number one non-cash compensation program. To tamper with the commissary program would invite a severe adverse reaction and negatively impact morale, recruitment, retention, and readiness.
4. The Defense Commissary Agency (DeCA) has effected considerable reductions in operating costs and adopted the best commercial business practices, for which it has received three Hammer awards.
5. In operational productivity, commissaries surpass comparable commercial grocery stores in sales per operating hour, employee, store, and square footage.
6. In order to promote efficiency DeCA has already outsourced (contracted out) many in-store functions; such as, shelf stocking not provided by suppliers, custodial services, and delicatessens.
7. Privatization would cause the demise of many small and minority owned businesses; such as local and regional suppliers, distributors, manufacturers' sales representative firms, and firms granted set-asides.
8. A private sector contractor would use cheaper foreign flag carriers for overseas transportation. However, the Fly America Act of 1974 and the Cargo Preference Act of 1904 and 1954 require the use of American flag carriers for overseas transportation. The Defense Transportation System that the DoD maintains and exercises in peacetime is a



vital element of DoD's capability to project power worldwide, and is key to responsive force projection and a seamless transition between peacetime and wartime operations.

9. Privatization of commissaries without a sizable taxpayer subsidy would be an economic impossibility were a privatized system required to observe the same ground rules as the Defense Commissaries Agency; i.e.,
  - Sell all products at cost as required by law
  - Offer the same savings or compensation value
  - Stock the same product categories
  - Operate comparable physical facilities
  - Maintain service even in those small, remote and overseas locations where it is uneconomical to do so.
10. Commercial grocery stores carry a wider assortment of products to meet required gross profit margins and company profit expectations. This could not be done in commissaries without an adverse impact on the exchange services that must carry those products at a markup to cover operating expenses and inventory costs, while still generating dividends sufficient to meet MWR commitments.
11. A privatized system would no longer be exempt from the Robinson-Patman Act; i.e., manufacturers could no longer offer lower prices to a privatized commissary system than they do to other customers.
12. A privatized system would be required to collect state and local taxes, thus raising prices to the patrons.
13. Historically, government contract costs for large operations have frequently escalated to the point where they exceed the cost of performing the function in house. Privatization of the commissary system would be an irrevocable step with unforeseen long-term consequences.
14. Privatization would also result in loss of the following:
  - Surcharge revenue so essential to recapitalization. Currently, facilities built with this money, which is collected from the patrons, become the property of the federal government.
  - Vendor labor-saving support provided at no cost to the government; such as, shelf stocking and in-store merchandising which is not provided by vendors to the same degree in commercial grocery stores, except for Direct Store Delivery items -- dairy, soft drinks, and some snacks.

- Small and disadvantaged business set-asides currently required of the Defense Commissary Agency.
- Support for the NISH and the National Industry for the Blind (NIB) who currently supply goods and services to the commissary system.
- DoD infrastructure support. Commissary use of DoD communications, accounting, subsistence, postal, and utilities functions leverage rates charged to other DoD customers.

15. Past reviews have concluded that privatization will not work:

- In 1984, a joint GAO-CBO review could not validate the savings estimates for either closing or privatizing commissaries.
- In February 1985, a GAO critique of the Grace Commission study concluded that estimates of savings from privatization were questionable.
- A test of contracting out commissaries in the mid 1980's failed.
- Privatization recommended by the Defense Science Board in 1995 was deemed unworkable.
- In October 1997, a CBO study again proposed contracting out, but recognized that prices to the patron would rise.

## *Armed Forces Marketing Council*

### **Consolidation of Military Exchanges**

#### ***Success Criteria and Risk Factors***

##### Success Criteria:

- First and foremost, the establishment of a compelling and proven business case for integrating the exchange services.
- Identifiable improvement in price savings, and merchandise selection, variety, and availability.
- Achievement of improved scores in both customer and employee satisfaction.
- Separate and distinct buyer groups to assure retention of the unique culture and shopping environment afforded by the current exchange services.
- Increased sales, earnings and dividends.
- No degradation in sales, earnings, or dividends during the transition.
- Realization of substantial savings in operating costs identifiable by both magnitude and source.
- Adoption of best business practices
- Transition costs paid for out of appropriated funds.
- Assuring an equal voice by each of the military services in decision making and governance.
- Successful resolution of the potentially adverse financial impact of separating the Marine Exchange Service from the Marine Corps Community Services.

##### Risk Factors:

- Failure to realize the above critical success factors.
- Sidetracking of critical exchange initiatives due to diversion of human capital (i.e., best personnel resources) during the planning and implementation stages.
- Prime privatization target presented by a unified DOD exchange service.
- Potential for exchange earnings being used to offset the appropriated fund requirements for commissary operations. (Service members funding their own benefit.)
- Decrease in earnings, dividends, and capital improvements if projected savings are not realized.
- Lost sales with consequent reduction in earnings, dividends, and capital improvements.
- Magnitude of the up front impact upon the exchange services; e.g., early out pay-outs and IT system implementation.
- Increased bureaucracy and decreased flexibility.
- Stifling of creativity, and elimination of the current spirit of competition among the services, both of which foster innovation.

From: John S. Strong  
Lawrence J. Ring

Date: January 15, 2004

Re: Review of Laseter Article

We have reviewed the article "Military Exchange Unification: The Strategic Case for Change", by Professor Timothy Laseter of the Darden School of the University of Virginia.

We present our comments organized by each section of Laseter's article. We show Laseter's statements/findings in italics, followed by our response.

#### **I. Introductory section (pp. 1-2)**

*1. Laseter claims that the exchange systems are in a weak position, and that stable revenues and contribution are not enough in today's retail environment.*

Given the 9 percent decline in the total eligible population of active, reserve, and retired military personnel cited on p.3, the fact that the exchange systems have been able to maintain stable and slightly growing revenues and contribution should be seen as a significant accomplishment. "Outside the gate" retailers have much better opportunities to grow revenue by adding new locations, which is not possible (or at best a limited option) for the military exchanges.

Exhibits 1a, 1b, and 1c reflect good performance – contribution/dividend, revenue growth and inventory turns are getting better. Also, the best performances shown in Exhibits 1a, 1b, and 1c are by the smaller of the services (NEXCOM and MCX), which should raise at least some question about Laseter's asserted virtue of size.

*2. Laseter claims that many studies have been done, all coming to the same conclusion showing the benefits of consolidation. He apparently agrees with the "mandate" of the current effort that there is "no need to argue over the numbers". He claims a "strategic rationale" (p.2) that claims the potential opportunity is in the tens of millions or hundreds of millions of dollars.*

We have reviewed many of these prior studies and offer a few comments. First, not all studies reached the same conclusions. For example, our review of the recent study by PricewaterhouseCoopers indicates that the benefits from consolidation were significantly overstated and that the costs were significantly underestimated. Moreover, many of the benefits in these studies could be achieved through actions by the exchange systems themselves or through lower cost cooperative efforts.

We think it matters whether benefits are in the tens or hundreds or millions – or if they are there at all. The exchange systems have worked hard to establish a policy of "data-driven decisions", and this policy certainly should apply to an initiative as significant as consolidation.



## **II. Accommodating Structural Change (p. 2)**

1. *Laseter claims that the change in locations and positioning of active duty personnel will put pressure on the economics of the exchanges.*

We are not sure about the claim that OCONUS exchange operations generate 53% of profits on 30% of sales (no reference is provided in the article). It is important to understand what activities are encompassed in the data as well (for example, does this data include slot machines, etc.?)

2. *Laseter claims that "the larger, more profitable sites must cover the losses from the smaller ones".*

This is an assertion without evidence to support it. No evidence is presented that larger sites are more profitable or that smaller sites lose money.

3. *At the bottom of p. 2, Laseter notes that collaborative efforts help address fragmentation.*

We agree that there are many opportunities to work together. We would note that such working relationships are common in business short of full-scale mergers.

## **III. Responding to Customer Needs (p.3)**

1. *Laseter notes that from 1985 to 2000, there was a 9 percent decline in the customer base.*

Again, the ability to hold revenues and contribution stable in a declining environment should be seen as good performance by the exchange systems.

2. *Laseter notes that retirees are a growing share of the eligible customer base, but says they are less likely to shop at exchanges because of other retailers, especially Wal-Mart.*

This is another assertion – no evidence is provided. Are there any studies that show that retirees are spending less at exchanges? Indeed, the fact that revenues are stable with a declining customer base might indicate that "share of wallet" is growing! Moreover, the statement that retirees are solely price-driven is also an assertion without support in the article.

3. *Laseter claims that "younger people show far less brand loyalty than older consumers".*

What is the author's source for this statement? There is lots of evidence indicating that younger consumers are very brand-conscious. Indeed, one of the competitive advantages of the exchange systems is the ability to offer brands that many of the discount stores cannot.

4. *Laseter claims that the contribution to MWR programs may be of limited interest to any individual serviceman/woman, and that they only care about price.*

Again, no evidence is cited showing that active duty personnel are purely price-driven.

In our experience with the exchange systems, we believe there are multiple customer segments, some price-oriented, some product- or brand-oriented, others service-oriented.

#### IV. Facing the Competition (pp. 3-5)

##### *1. Laseter cites data on Wal-Mart to show that it is a competitive threat to the exchange system.*

Wal-Mart is a competitive threat to almost everybody. The pressure on gross margins shown in Laseter's Exhibit 5 is widespread, affecting not just the military exchanges. The question that should be posed is whether consolidation would help the competitive position of the exchange systems.

##### *2. Laseter's Exhibit 4 shows retailer revenues as evidence of the weak position of exchanges.*

Exhibit 4 is in terms of total revenues, which reflect the fact that Wal-Mart and Target have opened hundreds of new stores, as well as undertaken many conversions of existing stores to supercenter formats. The fact that the exchanges have grown revenues compared with other broadline department stores (Sears, Dillard's, etc.) is evidence that the exchange systems in their current form are doing better than many of the other department stores.

Because the exchange systems cannot open new locations, a much better metric would have been to compare same-store sales for the companies in Exhibit 4.

##### *3. Laseter claims that Wal-Mart is a particular problem for the exchanges because Wal-Mart has 17% of its revenues from outside the US, including the UK and Germany where military exchanges are located.*

Wal-Mart bought ASDA in the UK and Wertkauf and Interspar in Germany as part of an overall expansion strategy. They inherited the existing store locations from these companies. To date they have not made money in Germany.

##### *4. Laseter describes exchange product categories, and states that 39% of exchange sales are in "safe" categories (that is, with lower threat of competition.)*

We would observe that having a base of such activities makes the exchanges better-positioned than many other retailers vis-à-vis discounters.

##### *5. Laseter asks (p. 5) "Can the independent exchanges avoid further margin erosion and fend off competition from discounters that are 30 to 100 times larger?"*

We agree that retail competition is tough – but the question that should be asked is whether consolidation can be the solution. Combining AAFES, NEXCOM, and MCX is saying \$7 billion plus \$2 billion plus \$1 billion = \$10 billion and that's what you need to compete. This is still very small compared to Wal-Mart, Target, etc. We are skeptical that "7+2+1" gives a significant incremental competitive boost to the military exchanges.

## **V. Leveraging Economies of Scale (p. 5)**

### *1. Laseter claims that to win, the exchange systems must "leverage scale".*

We do not know what he means by "win". As noted above, even with consolidation, the exchanges systems will never achieve the scale of Wal-Mart or Target. No data is cited with respect to the cost reductions in moving to "7+2+1", or why achieving this threshold is what is needed. He also ignores whether many of the purported benefits can be achieved short of full consolidation. We would note that many retail systems and investments are coming down in cost, so that smaller retailers have opportunities to use technology in ways that were not possible before. (For example, the cost of scanning technologies has fallen dramatically.)

### *2. Laseter's Exhibit 7 claims to show the effect of scale on profit margins.*

We have a number of issues with this chart. First, we do not know if these approximately 70 data points are AAFES store locations or commands. This makes a difference – think about comparing one base that has a central retail location with another base that has many far-flung retail centers.

Second, the regression line fit by Laseter is driven by the three locations with \$175-\$225 million in sales. We would note that the most profitable locations are NOT the largest. Excluding international locations, it appears in Exhibit 7 that the locations with the highest profitability (15% profit margins) have sales in the \$75-\$125 million range. We also would note that there is a large variation in profitability in any given sales range.

Third, we observe that only 6 of all the locations in Exhibit 7 are losing money. This would suggest that the need for large exchanges to support smaller ones (which Laseter claimed earlier in the article) is not true.

Fourth, Exhibit 7 indicates that overall profit margins are in the 5% to 10% range. While we recognize that tax status and other factors play a role, we would note that only 5 of the 35 largest retail companies in the United States in fiscal year 2002 achieved net profit margins (return on sales) of more than 5%. For reference, Wal-Mart's return on sales was 3.3% and Target's was 3.8%.

Fifth, even if Exhibit 7 did show that larger stores were more profitable, it says nothing about why a company with more stores is inherently more profitable than one with fewer stores. In other words, while it may be better to have more sales per store, it is not clear how consolidation would help that, or why it is better to have more stores in one organization rather than three.

### *3. Laseter claims many benefits from centralizing buying and distribution. He claims that Wal-Mart gains 1%-2% of cost advantage from the scale of its distribution network.*

We would observe that a consolidated "7+2+1" exchange system is still very small relative to Wal-Mart, and that consolidation would likely have little effect on this cost advantage.

We agree that the exchanges might achieve cost savings and benefits from improvements and cooperation in supply chain activities, and would note that many of these are underway without full integration. Moreover, we would again point out that Laseter's own Exhibit 1b shows that the best performance in inventory turns

are from the smaller of the exchange systems, not the largest, suggesting that bigger is not always better in practice.

## **VI. Achieving World Class**

*1. Laseter claims that the entire military provides successful examples of consolidation, citing DFAS and core military operations like the Joint Strike Fighter.*

We do not think these examples are relevant to the question at hand, and indeed, are not sure that some of these examples have been successful. While we agree with his statement that military successes and logistics have been achieved by the Army, Air Force, Navy, and Marines working collaboratively, we would note that this collaboration stops short of full integration and consolidation of the different branches.

*2. Laseter claims that consolidation has enabled the Defense Commissary System to save customers 30% today versus 23% in 1991.*

This statement is based on a price comparison study, but it says nothing about whether the Commissary system is more profitable and more efficient than before. In addition, it is our understanding that such pricing is a deliberate strategy of the Commissary system – that is, the system is to provide benefits to our armed forces through lower prices. This is quite different than the objective of the exchange systems, including the role of dividends and contributions to MWR.

Moreover, if Laseter feels that lower prices are the goal, we would like to have seen comparable pricing studies for the exchange systems. For example, to what degree are exchange prices higher than outside, and how would integration affect this? Nothing is said on these points. It would also be useful to see how DECA prices compare to Wal-Mart Supercenter prices. We have seen many studies showing that Wal-Mart is underpricing the supermarket industry by 15 or more percent.

*3. Laseter claims that consolidation would create more rewarding jobs in more narrow categories, that all groups would enjoy their jobs more.*

These are assertions without backup. A decision as important as integration deserves better.

*4. Laseter claims that consolidation will produce a "world class organization" with a "world class culture".*

We do not know what to make of this statement – he never defines what "world class" is, nor why being bigger as a single organization gets you there. Indeed, in almost any "best" companies list we can recall, there are numerous examples of companies with less size than any of the exchange systems.

## **VII. The Choice is Clear (p. 6)**

*1. Laseter claims that "huge synergies" would be released, leading to an "uncertain, challenging route to combined excellence".*



These are assertions without support and reflect unwarranted hyperbole. Certainly, any synergies associated with the "7+2+1" combination would hardly be "huge".

2. *Laseter presents the choice to support consolidation as one to "make your country most proud".*

Thinking about ways to improve the performance of the exchange systems is a difficult and complex task. Impugning the motives of those who have a different idea is wholly inappropriate.



**STATEMENT  
BY  
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DEPUTY EXECUTIVE DIRECTOR AND  
DIRECTOR, MILITARY AND GOVERNMENT  
RELATIONS  
AIR FORCE SERGEANTS ASSOCIATION  
  
FOR THE  
  
HOUSE ARMED SERVICE COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE**

**MILITARY RESALE AND MORALE WELFARE  
AND RECREATION OVERVIEW**

**MARCH 3, 2004**

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**\*\* A participating organization in The Military Coalition \*\***



## CURRICULUM VITAE

CMSgt (Retired) James E. Lokovic is the Deputy Executive Director and the Director of Military and Government Relations for the Air Force Sergeants Association. Chief Lokovic works for the Executive Director and is the association's primary liaison with Congress, the administration, the military services, and other military and veteran associations—in carrying out the association's chartered mission to protect and enhance the quality-of-life benefits for military members and their families. Chief Lokovic served 25 years in the United States Air Force at numerous stateside and overseas locations. His last assignment was on the Air Staff as the Chief of Enlisted Professional Military Education. He has worked for the association since January 1994.

## DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Air Force Sergeants Association (AFSA) does not currently receive, nor has the association ever received, any federal money for grants or contracts. All of the association's activities and services are accomplished completely free of any federal funding.

Mister Chairman and members of this subcommittee, On behalf of the 135,000 members of the Air Force Sergeants Association (AFSA), I wish to thank you and the members of the Subcommittee on Total Force for this opportunity to address vital quality-of-life issues, and to congratulate you for serving as *the primary champion of these programs*. Your role in protecting benefit programs such as the commissary benefit; the military exchange system; and Morale, Welfare and Recreation (MWR) programs has become *paramount in light of the efforts of some to reduce these programs to "budget cost-cutting challenges," rather than vital programs* for those who put their lives on the line for this nation. These programs are especially critical to enlisted members and their families. AFSA works toward improving the quality of the lives of all current and past Air Force enlisted members including active duty, Guard, Reserve, and their family members and survivors. That is why the work of this subcommittee is so critical to our members.

## INTRODUCTION

The matters being addressed this afternoon concern central features of military life, for which full funding *should not* be debated. The programs with which this committee concerns itself are fundamental features of military life required to build a sense of shared community, to make available low-cost programs to promote military health and welfare, and to provide assistance and reassurance to military families while America's soldiers, sailors, airmen, and Marines protect this nation's vital interests.

Airmen know, for example, when they enter an airbase--whether stateside or overseas--they are, in a sense, home. They see the welcome sight of the familiar base commissary and exchange. They know that, despite the volatile foreign economy or the profit-driven stateside market that may exist outside of the base, there is a commissary where they and/or their

families can continue to purchase reasonably priced food to which they, as Americans, are accustomed. They know that there will be a military exchange where they can find a variety of products to support their lifestyle and meet their family's needs at reasonable prices. They appreciate that this nation cares enough about them to provide programs to promote their morale, welfare, and physical well-being. As AFSA representatives visit dozens of bases around the world each year, we hear again and again how important commissaries, base exchanges, and MWR programs are to their lives. This nation should be proud to fully fund these programs and to avoid subjecting these programs to budget manipulation.

Especially today, in a period of war and of unprecedented global commitments these quality-of-life benefits are more important than ever, not only to the Active Duty, Guard and Reserve personnel serving our nation throughout the world but also their families and survivors. This is simply not a time to be sending a message to those who serve that government budget manipulators view these important programs as "fair game."

I will address three basic areas in this statement: the commissary benefit, the military exchange system and, finally, the MWR programs we provide to military members and their families.

### THE COMMISSARY BENEFIT

Military commissaries are an integral part of the total compensation package for service members and their families, producing an average savings of 32 percent over civilian markets. At a time when this nation is at war, we urge this committee to resist those who attempt to "reduce the bottom line" rather than to ask Congress for full funding of these programs. This is certainly not a time for budget manipulation plans such as privatization, variable pricing, and closing stores. Commissaries are not about profit; they are there as part of the military compensation package. In response to recent DoD initiatives, one would have to ask, "Why now? What is the compelling urgency to tinker with these benefits while we are fighting a worldwide war on terrorism?"

The commissary benefit is highly valued and widely recognized as one of the *premier non-pay quality-of-life benefits* for all beneficiaries--substantiated in numerous surveys to active duty, Guard and Reserve personnel, military retirees and their families. We are aware that this committee views *the annual \$1.2 billion taxpayer subsidy for military commissaries as money very, very well spent!*

One great mission of commissaries and exchanges, though not often stated, is their incredibly positive impact on the ability of our troops and families to respond to the contingencies and missions of military life. Some call this concept "family readiness." Commissaries and base exchanges provide an important benefit for the military member, they provide sustenance to the families that support the military member at home, and they provide peace of mind and an economical place to purchase goods for family members who must go it alone while the member is deployed. Indeed, these facilities are instruments of readiness.



Just why are these stores so important to the military member as a non-pay benefit? Please consider the following facts: (1) Commissaries are a fundamental part of the *military lifestyle*, both for active duty and retired military members; (2) For *enlisted* members, who receive considerably lower compensation and benefits (and retired pay), commissaries provide a *modest, though vital, supplemental financial benefit*; (3) Commissaries are *part of the military retirement package*-- part of the promise; (4) Overseas, commissaries often serve as a lifeline; (5) These stores also have a *military mission* in that they *more-closely adapt to the needs of their clientele* (military members and their families) than commercial enterprises do. For example, in the commercial industry, the bottom line is "service" *only when/if it translates into increased profits*; that is why they use such practices as variable pricing; (6) Commissaries are, very simply, part of the price of defending this nation—a price that this nation should be proud to pay.

Access to any of the 276 commissaries on military bases around the world is very important to these service members. *The benefit offers significant average savings to patrons, estimated at 32 percent over civilian, profit-driven markets.* The Defense Commissary Agency (DeCA) has long maintained that it is able to provide this magnitude of benefit *because it bases its prices on cost plus a surcharge (five percent today), and not on market forces and pricing schemes used by civilian grocery markets.*

Frankly, those serving today have repeatedly communicated to AFSA a sense of resignation, frustration, and a belief that the benefits they now enjoy will most likely be reduced and/or eliminated in the future. *Ironically, the agent of their unease is the very agency that should be championing full funding for these programs.* Their trepidation comes about because of comments making the rounds that DoD believes that commissaries may not be desired or necessary. They are aware that service secretaries were notified toward the end of 2003 that DoD plans to close several commissaries and is considering closing several more. They have read about ongoing commissary privatization plans. They have seen actions to civilianize commissary management and, recently, plans to change the chairman of the *military* Commissary Operating Board to a civilian—rather than a person who has a stake in the future health and continuance of the commissary benefit. They question DoD plans at benefit value manipulation such as variable pricing that would, without a doubt, increase the costs for military beneficiaries and, thereby, decrease the value of the benefit. We have heard more than once the belief that DoD's efforts toward contracting, privatization, and outsourcing might eventually lead to replacing commissaries on base with a "contracted" on-base civilian supermarket of little financial benefit to military beneficiaries. It is no wonder that military members question the commitment of DoD to their benefit programs.

### Variable Pricing

On the issue of "variable pricing," a practice used by civilian markets to increase profits, several questions arise. The current DoD variable pricing study—which this committee has told DoD is not necessary, *and for which the American taxpayer is paying at least half-a-million dollars*--is motivated by a stated desire to reduce/eliminate the \$1.2

billion annual commissary subsidy. DoD would do this by raising the prices of some products and reducing the prices of others—a practice used by civilian markets. It is common practice in civilian markets to lower prices, i.e., take a loss, on some items (“loss leaders”) to draw customers into the stores, only to raise the prices on other goods that the consumer normally buys. The end result is more money out of the pockets of average consumers—a game our military members and their families should not be forced to play on a military installation. DoD’s investigation of variable pricing in commissaries can mean only this: DoD would shift the cost of the benefit from the American taxpayer to the significantly less than one-percent of the citizenry who put their lives on the line to protect this nation—the military patron. To claim otherwise would be disingenuous at best.

Discussions of the current commissary pricing method have always included the fact that producers routinely provide the commissary with good deals because they know that the prices are not subject to manipulation (such as through variable pricing). Additionally, commissaries provide a platform for producers to test the pricing of products; the pricing of which goes directly to the consumer without intervening, profit-driven manipulation. In the case of the commissaries, the market is driven by volume sales and, undoubtedly, the patriotism of some producers. AFSA fears that the institution of variable pricing at commissaries would drive these producers away, eliminate “good deals,” and, in the process, might well actually destroy the commissary benefit as we know it today.

Some government functionaries assert that DeCA’s claim to 32 percent savings for military beneficiaries is an “average” with some stores averaging 20 percent savings, and others 40 percent. They suggest that variable pricing could be used to level the playing field by ensuring that all beneficiaries get the same percentage of savings. One would have to question the sincerity of this “member-centered” desire to manipulate prices. It is important to keep in mind that the DeCA calculation of average savings is based on a “market basket” weighted toward items bought the most by military consumers. There is simply no need to manipulate the commissary market. Also, since the DoD motive is to skim off \$1.2 billion and transfer that cost to military consumers, the “average” savings can’t help but go down.

If the effort is fueled by a desire to lower the overall level of savings and, therefore, the value of the benefit for military members, one would have to ask, “Why?” Why not allow DeCA, through its proven management efforts, to try to increase the value of the benefit (savings for servicemembers) to the very highest levels that sound management practices can allow? Why limit the value of the benefit? AFSA would assert that increasing the value of this non-pay benefit as part of the overall compensation package reduces the need for increases in the military pay portion of the package. In that sense, why not allow DeCA to continue to work to increase the value of the benefit?

As stated, sound DeCA practices have brought the savings to approximately 32 percent over civilian, profit-driven markets. Is DoD asserting that this level of savings is too high? If so, what is the basis of determining an "acceptable" savings threshold?

AFSA maintains that the arguments stated above add up to this: Shifting the "burden" of operating commissaries to the military patron—the inescapable consequence of variable pricing—would impact their quality of life by reducing their disposable income. Additionally, it would be viewed by military members as the erosion of a highly valued benefit. Such a move simply doesn't make sense.

### **Privatization**

Over the years, there have been proposals to privatize commissaries or otherwise eliminate the system's appropriation—either of which would be greatly appreciated by the profit-driven, grocery industry. AFSA appreciates this subcommittee's historic strong opposition to these plans and asks for the distinguished Subcommittee to sustain this position. We believe that reform proposals have a common theme—saving money with scant regard for the impact of reductions on beneficiaries.

There is continued interest in privatizing the commissary benefit within the Department of Defense. This is reflected in past budget requests, congressional testimony and reference to the benefit and other programs as opportunities to privatize during press conferences and interviews.

Privatizing commissaries to reduce/eliminate the annual appropriation is to work toward getting DoD out of the commissary business and, in effect, eliminating the benefit—or significantly reducing the value of the benefit. Once again, one would have to ask, "Why?" What would be the long-term costs? In what ways would privatization serve the military member and his/her family better? Why fiddle with a workable, well-managed benefit? Additionally, one can only speculate the appropriated costs required to maintain overseas commissaries if they were privatized. We would imagine that the cost would be considerable. AFSA opposes privatization of the benefit because it is unnecessary and would most likely lead to the eventual demise of this important benefit.

### **Other Commissary Matters**

*Guard and Reserve Commissary Benefit.* AFSA applauds this subcommittee's action last year to provide members of the Guard and Reserve with full commissary benefits. That effort was long overdue, and it further strengthens the clientele base for these important stores. It was a dramatic gesture on the part of this Congress for the men and women serving in the reserve component. Your actions demonstrated your appreciation of their instrumental role in the defense of this nation's vital national interests and your resolve to provide them with equitable earned benefits.

*Employee Shopping Privilege.* AFSA is also aware of a proposal under consideration within DoD to allow employees (regardless of military affiliation) who are employed by a commissary to shop in that commissary (with full savings). AFSA



opposes this. We would simply note that *the commissary is an "earned" benefit*—earned by subjecting oneself to unlimited liability through military service. These men and women stand ready to sacrifice their lives. Additionally, the lives of their families are fraught with challenges, economic hardship, and uncertainty. Service members and their families have uniquely and singularly earned this benefit. AFSA believes that is reason enough to limit the benefit to military beneficiaries. We would also suspect that there might also be potentially strong (and continuing) opposition from food marketing organizations—an eventuality that is easily avoided by continuing to limit the benefit to those who have *earned* it.

*Closures.* With another round of base closures and realignments set for 2005, AFSA members are already expressing concerns about what the next round may mean to their access to commissaries. On top of that DoD has announced plans to close several stores and to consider closing quite a few more. Once again, AFSA questions the timing of these closures. They send to those who are serving a very negative message about the commitment of DoD to this benefit program.

This committee has a vitally important mission. You serve as the guardians of the commissary system. You have served the interests of military members and their families by protecting the military stores and various other activities that are so critical to them. As you go through your deliberations, markups, and resultant formulation of the FY 2005 Defense Authorization, we ask that this committee be a key player in ensuring the full funding of commissaries and that you resist budget manipulation schemes that can't help by reduce this important benefit.

### BASE/POST EXCHANGES

Military exchanges are a long-standing tradition on our bases and posts -- both at standing military posts and bases and contingency locations. They originated in July 1895 with the War Department's General Order 46 which directed post commanders to establish exchanges at every post where practicable. Wherever American Army or Air Force members are stationed, the Army and Air Force Exchange Service (AAFES) sets up a store. AAFES provides service and support to 7.3 million customers worldwide. Today, AAFES operates more than 12,000 facilities worldwide, supporting 25 separate businesses in 30 countries and overseas areas, as well as in every state in the union. These include 1,423 retail facilities and close to 200 military clothing stores on Army and Air Force installations around the world. AAFES also runs 1,410 food facilities; mobile units; snack bars; name brand fast-food franchises and concession operations. Other AAFES activities include theaters, personal service concessions, vending centers, and Class Six stores. In addition, the AAFES overseas school lunch program serves approximately 27,000 lunches daily to Department of Defense Dependent School children (at 152 schools in 11 countries). AAFES was designated by the DoD to administer the overseas school lunch program on Army and Air Force installations and has supported the program since the 1960s. A non-appropriated fund activity of the Department of Defense, AAFES funds 98 percent of its operating budget (civilian employee salaries, inventory investments, utilities and capital investments for equipment,



vehicles and facilities) from the sale of merchandise, food and services to customers. *The only congressionally appropriated money spent on AAFES comes in the form of utilities and transportation of merchandise to overseas exchanges and for military salaries.* The exchange system brings the American way of life to our military members who protect our interests around the world. Exchange facilities are an ingrained aspect of the military culture.

*The AAFES contribution to MWR is significant.* Each year, AAFES earns hundreds of millions of dollars from retail, food, service, mail order and concession sales based on sales of over \$7 billion. MWR and services received enough to provide about \$300 per capita for each active duty soldier and airman. *In fact, while AAFES is charged with making a profit, it returns every cent of its earnings to its customers.* More than 70 percent of AAFES earnings are paid to Morale, Welfare and Recreation (MWR) Programs. In the past 10 years, over \$2.5 billion has been contributed by AAFES to the Army and Air Force to spend on quality-of-life improvements for soldiers, airmen and their families--libraries, sports programs, swimming pools, youth activities, tickets and tour services, bowling centers, hobby shops, music programs, outdoor facilities and unit functions. *In that sense, military members who shop in exchanges do so knowing that they are helping to care for their own by helping fund activities that serve themselves.* This AAFES contribution is important and spares the taxpayer from footing that portion of the MWR bill.

AAFES is also a major source of employment for family members of Army and Air Force personnel. Approximately 25 percent of the 52,400 AAFES associates are military family members. Many associates have worked for years with AAFES as they've moved from one installation to another with their military sponsors. Another 3 percent of associates are military members who work part time in exchanges during their off duty hours. These employment opportunities are crucial to the well-being of enlisted families, especially at overseas locations where such opportunities are relatively scarce.

One dynamic of the current force structure is the closure of military facilities, and we are keenly aware of another impending Base Realignment and Closure round scheduled for 2005. When a facility closes, military retirees often lose access to the exchange benefit. However, if a particular facility is "profitable," one plausible solution is to keep the facility open in combination in the form referred to as a "BX Mart," a combination exchange-commissary. While this approach is necessary in some areas, it should be avoided if both a full exchange and commissary would continue successfully. In reference to base exchanges, we ask that you continue to fully support the military exchange system, providing required funding to ensure the health of the facilities and the subsidy to maintain stateside-consistent pricing at overseas locations. Additionally, we recommend you support the BX Mart concept only when a stand-alone exchange and commissary are not feasible for a given location.

### **Exchange Consolidation**

AFSA appreciates the need to achieve business efficiencies. However, there are currently three very viable military exchange systems that provide military members with a valuable benefit and generate millions of dollars which follow into MWR programs. The primary impetus of the DoD effort seems to be to eliminate redundancy in "back office" operations. While AFSA does not oppose common sense solutions, we strongly urge this committee to *allow exchange consolidation only if it is absolutely necessary, if it will not serve as a step toward degradation of the benefit, if it would not increase prices at the register, and only if it would not reduce the MWR contribution to each service.*

### **MORALE, WELFARE, AND RECREATION (MWR) PROGRAMS**

MWR programs enhance the quality of life of service members, military retirees, their families, and survivors. MWR activities, together with base exchanges and commissaries, draw military members to the military base and are also a key part of military culture that serves to draw young civilians into military service. These activities are consistently ranked by military members as among their most valued benefits. Their family members depend on these programs for wholesome, affordable activities that demonstrate to them the government's concern for their wellbeing while the service member is away. Retirees view the availability of MWR programs as part of the benefit package provided them, their families, and survivors. In other words, MWR programs serve as a continuity from first enlistment, to career decision, and into retirement. They are an expression of a grateful nation for the selfless, at-risk national service provided by military members. As such, we urge this subcommittee to support full funding for these essential programs.

#### **Fitness Centers**

AFSA wants to stress the importance of funding for additional construction of up-to-date fitness centers. All of the services have realized that fitness is not just a desirable attribute of military members; it is absolutely necessary to carrying out the roles with which our military members are increasingly tasked. For example, in the Air Force, General Jumper's "Fit to Fight" philosophy can only be successful if the fitness centers on Air Force bases are fully supported. Additionally, it is cost-efficient in that it promotes the health of those serving, thereby reducing required health care costs dollars. At the many fitness facilities we visit around the Air Force, we find service members who are proud of and fully utilize upgraded fitness facilities. Many fitness centers also welcome retirees and family members; some even have convenient child play rooms on site so that parents can bring children along. The military services speak of the centers' importance in emphasizing an active lifestyle. The military members appreciate them, and appreciate the efforts of government decision-makers to provide full funding for these activities.

#### **Child Care Centers**

Military Child Development Centers are first-class facilities, with high rates of accreditation and well-trained staff. They are a testament to the priority given military

child care by the Congress, DoD, and the services. This is especially important due to the increasing number of military-married to-military couples, and military-married to-civilian couples where both spouses work. AFSA thanks this committee for funding the construction of additional military child development centers each year and for the funding needed for DoD to maintain such a high quality program at a reasonable cost.

As we visit military bases, the criticisms of CDCs never center on the quality of the centers. Instead, they focus on some of the policies used to administer the programs. One fairly frequent request is that individual CDCs accommodate shift workers. This is becoming more prevalent as military members (due to undermanning and deployments) routinely work 16 and 18 hours a day. Unfortunately, most CDCs operate during specific hours and do not accommodate those who work longer than normal hours, or who work on revolving shifts. We believe those issues must be addressed within DoD itself. For this committee, we urge continued investment in these important facilities

As our partners in the Military Coalition (TMC) pointed out last year, "National Guard and Reserve members are essential to today's military mission. Concerns about finding and affording quality child care when called to active duty affect their mission readiness, just as they affect the ability of other active duty members. The child care needs of activated Guard and Reserve members must be calculated in DoD and service estimates of demand for child care services and assistance must be given to these families in accessing child care. This should start with referral services, but will probably also need to include subsidies for certain members. TMC encourages DoD and the services to make better use of the flexibility given them [by Congress] to partner with community-based child care companies, agencies, and local school districts to assist members of the Guard and Reserve called to active duty in meeting their child care needs."

AFSA urges this subcommittee to place the issue of child care among its priorities. Just as the demographics of those in the military have changed, so too must we adapt to the necessities of today's members.

### **Recreation Facilities**

Base recreational facilities such as bowling alleys, swimming pools, athletic fields, and golf courses continue to be important to the military community's quality of life. As indicated earlier, military communities are unique. Important parts of military culture are the support facilities to provide community interaction and wholesome, safe activities. MWR recreational activities on installations also draw service members, retirees, and their families and survivors who live off-base back to the installation. This reinforces the cohesion of the military community as a whole. Military MWR facilities must continue to be responsive to the entire community in order to provide the services needed at a competitive price. We appreciate the support of this committee in consistently acting to make that happen.

### **Military Club System**

Patronage at clubs has continued to decline in many locations. Military members who have served for a number of years can remember when military clubs were a far greater part of the community activities, the recreation, and the quality of the lives of military members. They remember when government subsidies allowed for better entertainment, reduced prices, and more-varied programs. Over the years, appropriations have been removed or greatly reduced (a move toward making the facilities self-supporting), management has changed, and the offerings that drew people to the clubs have been summarily reduced or eliminated. At many locations, these clubs have been consolidated due to declining patronage. *AFSA wants to point out that the reduced patronage is the end result of government actions and not the justification that precipitated the funding/management changes that were made.* In fact, club efforts in some locations focus more on raising revenues by increasing facility use fees paid by military-related organizations such as units and spouses clubs. Discouraging community members from using community facilities is not an appropriate means of increasing profitability.

### CONCLUSION

Mr. Chairman, the Air Force Sergeants Association is grateful to this distinguished subcommittee for its protection of the commissary benefit and its oversight and support of the military exchanges and MWR programs for the military community around the world. As we stated earlier, you have become recognized as the champion of such military benefit programs. The men and women who serve this nation need you to continue this advocacy.

The programs discussed in this testimonial statement are so very important. They bring a touch of home and provide resale items, recreation and education opportunities for deployed service members and for military families located far from home. On military installations, the commissary, exchange, and MWR programs provide a community focal point involving families, retirees, survivors, and single service members. We appreciate the need to apply quality standards to these programs—we owe the taxpayer no less. However, some budget items faced by Congress each year need to be treated as "must pay" items. AFSA would assert that the programs discussed this afternoon fall into that category. Again, thank you for your attention, and AFSA is ready to work with this committee on matters of mutual concern.



**STATEMENT BY  
JOSEPH B. OLDING  
PRESIDENT, COMMISSARY DIVISION  
WEBCO GENERAL PARTNERSHIP**

**BEFORE THE SUBCOMMITTEE ON TOTAL FORCE  
HOUSE ARMED SERVICES COMMITTEE  
UNITED STATES HOUSE OF REPRESENTATIVES**

**PERSPECTIVES ON VARIABLE PRICING  
FOR MILITARY COMMISSARIES**

**MARCH 3, 2004**

Mr. Chairman and members of the Subcommittee on Total Force, my name is Joe Olding, President of Webco General Partnership, Commissary Division, a military resale broker. I have been involved with the grocery business for over 35 years and the military resale system for over 25 years. I have worked for a large grocery retailer, several Top 100 manufacturers and am now a partner in one of the larger military resale brokers. I have chaired the ALA Commissary Council for a total of five years and since DeCA's inception have served on the Board of Directors of the American Logistics Association on three different occasions most recently completing my last term as Vice Chairman in 2002. I have been interviewed by the Dove Group about elements of the DeCA study on variable pricing and private label. Through this experience, I believe I have developed an excellent understanding of the differences and similarities between grocery retailers and DeCA, and how they interact with manufacturers.

Following are my insights into the recent recommendation by the Department of Defense (DoD) for the Defense Commissary Agency (DeCA) to study variable pricing business models.

Variable Pricing is used by retailers to draw customers into their establishment with the primary purpose of increasing overall profits. Grocery retailers will vary markups on items or categories to attract targeted customers to their stores. For example, if a certain retailer wants to attract the young family, they may reduce markup on disposable infant diapers. Of course any reduction in markup is usually offset by increased markups in another category. Variable Pricing Models in most instances result in retail prices in excess of their cost and as I said total sales and profits are enhanced.

Manufacturers of consumer package goods develop comprehensive distribution, promotional programs designed to encourage retailers to promote their specific product needs. Typically, a manufacturer will like to see their products promoted with a reflected price reduction three to four times a year. The manufacture will offer promotional discounts to the retailer to encourage them to promote their products. The

retailer will usually qualify for promotional monies if they meet specific manufacturer requirements for obtaining these funds such as advertising, price reduction to the customer and highlighted display of the manufacturer's products, etc. Of course, it is in the retailer's interest to utilize as many manufacturer promotional offers that are available. However, even when retailers qualify for promotional monies they oftentimes do not pass all of it along to their customers. The complexity of managing this process is exponentially increased by the numerous manufacturers selling product to the retailer. The process of utilizing manufacturer promotional resources within a retailer's variable pricing model requires a high level of sophistication both in terms of people skills and business systems to be successful.

DeCA's current pricing model, on the other hand, relies on marketplace competition among manufacturers to establish best product pricing which is directly passed along to the consumer. As I am sure you are aware, the current pricing model has produced savings to the military patrons in excess of 30%. My experience with consumer goods manufacturers is that they are more willing to invest promotional dollars when they are assured customer or patron receives the benefit. In my opinion, DeCA captures a higher relative percent of manufacturer promotional spending because they pass 100% of the savings along to patrons.

Our understanding is that DoD has asked DeCA to review five separate elements in a study on variable pricing and value brands. Let me address two areas of interest by the consulting group on variable pricing; Variable Pricing on Value Items and Comprehensive Variable Pricing across all categories.

A Variable Pricing Program targeted on Value Price Products will essentially raise prices to those patrons who can least afford it; the young military family with a limited budget. These families are the ones who are utilizing value brands more than people with higher income. One might compare the effect of a variable pricing model targeted on value brands as a federal income tax only applied to lower income wage earners while the program benefits the entire population.

A complete Variable Pricing Program would raise the prices of most products to the DeCA patrons. While the amount of the price increase could be varied by category, the fact remains that prices will increase, decreasing patron savings. In addition, DeCA's implementation of variable pricing could also negatively impact on the amount of promotional monies made available by the manufacturer community. Manufacturers would become more selective in offering promotions if they feel that any of those savings now targeted for the patron will be utilized to reduce appropriations. This would effectively further raise prices and reduce patron savings. Implementation of a variable pricing program by DeCA, will require further investment in personnel and business systems. In my opinion, DeCA currently does not have the systems or trained personnel to implement a Variable Pricing Program. At the end of the day, DeCA's net cost of product will rise, and the cost of managing the purchasing functions will rise, requiring increased appropriations, and savings to Military Patrons will decline, a formula for diluting the benefit.

I would also like to make a couple of comments about the value brand/private label piece of DeCA's study.

DeCA and its suppliers have through the category management process defined and filled value brand patron needs for all of its major categories. It is my experience that these value brands typically provide DeCA's patrons a higher savings compared to outside the gate's private label brands (store brands) and competing national brands. The net effect is that overall DeCA's patron savings have increased as a result of properly positioned value brands.

The use of branded products by DeCA to successfully meet patrons needs in all segments including value is a very efficient (less cost) and effective (more savings) business model. The introduction of private label (store brands) to DeCA would only provide competing items for patron's whose needs are already met by the value brands. Furthermore, a private label program would increase DeCA's personnel cost to manage such a program.

DeCA has, since its inception, remained focused on serving the military patrons needs. Specifically, refining stock assortments, and pursuing increased patron savings. Successfully working with their trading partners has secured savings in excess of 30% for their customers. The current business model is working very well in supporting the number one or number two benefit for our military people and their families.

Today the commissary benefit is defined as selling all authorized commissary categories of goods at cost plus a five percent surcharge. I strongly recommend, for the benefit of the military patrons, that this definition does not change, which it would if variable pricing were approved.

**STATEMENT OF**

**JOYCE WESSEL RAEZER  
DIRECTOR, GOVERNMENT RELATIONS  
THE NATIONAL MILITARY FAMILY ASSOCIATION**

**BEFORE THE  
SUBCOMMITTEE ON TOTAL FORCE  
OF THE  
HOUSE ARMED SERVICES COMMITTEE**

**March 3, 2004**



Mr. Chairman and Distinguished Members of this Subcommittee, the National Military Family Association (NMFA) appreciates your interest in the well-being of military families and thanks you for this opportunity to provide testimony on commissaries, exchanges, and Morale, Welfare and Recreation (MWR) programs. During this period of increased operations tempo, deployments, and family and community stress, the availability of a robust package of personnel benefits and quality of life programs is crucial for our military servicemembers and their families. Programs such as resale activities and MWR programs contribute to the quality of life of the military community as a whole, including military retirees, their families, and survivors.

NMFA thanks this Subcommittee for its oversight of resale and MWR programs and for ensuring the continued viability of these benefits. We especially thank you for your leadership in extending unrestricted access to the commissary benefit for National Guard and Reserve members and their families. Lifting the restriction on the Guard and Reserve access to their commissary benefit not only recognizes their vital contributions as part of the total force to maintaining our Nation's security, but also will result in cost savings due to the elimination of the need for the Commissary Privilege Card.

This statement presents issues of concern regarding commissaries, exchanges, and MWR programs as communicated to NMFA by military families and its network of more than 130 Installation Representatives. It also highlights the value of these programs to the military community. As a founding member of The Military Coalition, an umbrella organization of 35 military-related associations, NMFA subscribes to the 2004 Coalition committee goals related to commissaries, exchanges and MWR, which include:

- Closely monitoring commissary funding and policies to protect access to the commissary benefit, and scrutinizing store closures, privatization, staff reductions, or other initiatives that may diminish the scope and quality of the benefit for all beneficiaries
- Supporting MWR programs to provide recreation, education and morale building facilities and programs that promote high quality of life for all active and retired servicemembers and their families
- Monitoring Service policies associated with MWR programs and facility use fees and the effects of increased installation security measures on MWR revenues and operational/program costs
- Monitoring the effects of privatization initiatives and that could adversely affect quality of life programs.
- Tracking DoD's plan to consolidate military exchanges.
- Monitoring Base Realignment and Closure (BRAC) activities and working with DoD and Congress as necessary to protect the interests of all beneficiaries impacted by base closures
- Monitoring any initiatives to close quality of life services, including exchanges and commissaries
- Monitoring DoD base realignment initiatives that are outside the BRAC to ensure that quality of life services, to include exchanges, commissaries and MWR programs, are appropriately protected for eligible members

## *COMMISSARIES*

Commissaries are consistently valued by all members of the military community as a top benefit. In the most recent Status of Forces Survey of Active Duty Members, done in July 2002, 67 percent of servicemembers surveyed reported they were either satisfied or very satisfied with commissaries and exchanges, the highest satisfaction rate for any quality of life program. Delegates to the 2003 Army Family Action Plan Conference rated the commissary as their fourth most-valuable service, following health care, the Army Family Action Plan, and Army Community Services. Every time they go to the commissary, families note the savings. According to the most recent figures NMFA has obtained from the Defense Commissary Agency (DeCA), these savings are 32.1% compared to commercial super centers and grocery stores—that translates to an annual savings of almost \$2,700 for a family of four. These savings are especially important to young families and to families overseas or in remote or high cost areas in the United States. An Air Force family member stationed in Hawaii told NMFA what the commissary benefit means to her family: “After a couple of walks through the local grocery store here, the commissary benefit is obvious—\$2.65/gallon instead of \$6.85 for milk, 12 cents instead of 30 cents a package for ramen, 50 cents instead of a dollar/pound for bananas, and the list goes on.”

The past year has been a challenging one for many of the beneficiaries served by DeCA and, we believe for the Commissary Agency itself. A war with large-scale deployments and redeployments, a major hurricane in the East, a multi-state blackout, wild-fires in the West, and a major distributor bankruptcy, plus news coming from inside the Beltway on possible changes to the commissary system, combined to add to the stress experienced by military families and the people charged with supporting them. NMFA believes these events—and the reactions to them—served to highlight the value of the commissary benefit to the military community and the high return on investment the government receives from its \$1.1 billion commissary appropriation.

### **Support to the Military Community**

NMFA thanks DeCA's leadership and employees for their support of military servicemembers and their families this year. DeCA's efforts to serve deploying servicemembers and to ease the stress of their families include:

- Working with vendors to obtain donated items for American Red Cross canteens at mobilization sites and for Family Readiness Programs
- Creating special “Deployment Centers” in stores to provide easy access to needed items such as snack foods, baby wipes, batteries, and toiletries for servicemembers preparing to deploy. These sections were also used by family members as they prepared packages to send to their servicemembers. Many of the items were provided at a lower than normal cost, thanks to the support of commissary vendors.
- Holding special events in local stores for waiting families and to recognize their efforts in supporting the mission
- Providing meals and other support for deploying servicemembers in transit
- Initiating an information campaign to make beneficiaries aware of the Agent Pass Authorization Program. The Agent Pass Authorization helps military families continue to

enjoy the benefits of commissary savings even if the servicemember is deployed and children are left in the care of someone who is not eligible for the commissary benefit.

- Equipping mobile units to take commissary products to servicemembers in isolated training areas
- Publicizing its "Gift of Groceries" program, which enables anyone to purchase commissary gift certificates through the DeCA website. The certificates, to be used only by authorized commissary patrons, can be donated to military families through charitable organizations or given directly to military friends and families.

DeCA's encouragement of store-level efforts to support deployed servicemembers and their families maintain the commissary's place in the community as a focal point of support and fellowship during this period of high stress. Stores' responsiveness to the needs of their communities can be seen even in the area of product selection. During the first Gulf War, NMFA heard from families that stores had not adjusted their product mix to take into account different buying habits in families with deployed servicemembers. Therefore, stores continued to stock lots of steaks, roasts, and more "family-size" food preparation items rather than microwaveable meals or ground beef. Other stores adjusted their product mix based on inaccurate assumptions about families' behavior—for example, some commissaries in Europe cut back too much on disposable diaper supplies because they assumed most families with young children would go back to the United States while the servicemember was gone. NMFA is pleased to report that this time stores seemed to listen to their communities and responded well to their product needs.

NMFA also heard positive stories from families about the extra efforts expended by local commissaries in the wake of natural disasters that struck military communities this year. In the wake of Hurricane Isabel, commissaries in the Mid-Atlantic area rushed to secure generators and open their doors for shoppers. They secured extra ice and provided much-needed food and other supplies, especially in some areas where civilian grocery stores were slow to open. During the wildfires in California, stores reopened quickly after fires moved away and, as on the East Coast, made service to the beneficiaries a priority. Commissaries in California have faced increased patronage because of the grocery strike and have had to adjust ordering to accommodate the additional shoppers.

DeCA also supports the military community through its Scholarships for Military Children program. NMFA is grateful to DeCA and to the vendors who provide the financial support for the program. In three years, DeCA has been able to provide scholarships totaling more than \$2.4 million to approximately 1,500 children of active, reserve component, and retired servicemembers. The military community values education and is grateful for this assistance in furthering the education of deserving military children.

### **Outreach is Essential**

Over the years, NMFA has consistently urged DeCA to expand its outreach to the segments of the beneficiary population who are not taking advantage of their benefit to the extent they could. DeCA continues to improve these outreach efforts, especially among single servicemembers and young families living off the installation with limited transportation and limited knowledge about their military benefits. While more must be done to educate these beneficiaries about the advantages of shopping in the commissary, NMFA believes that DeCA is

making strides in raising awareness. DeCA partners with installation single servicemember programs and commissary vendors to sponsor single servicemember activities in the commissaries. At many installations, transportation is provided between single servicemember housing and the commissary to ease access to the benefit. The deli, in-store snack bar, and "Grab and Go" section also provide a valuable service to patrons looking for lunch or dinner and help to pull beneficiaries into the commissaries more often.

In response to suggestions made by its patrons, DeCA continues to improve its outreach to beneficiaries. There are many opportunities to sound off about the benefit, including customer comment cards for store managers and mandated focus group sessions to gauge all customer category concerns. Complementing this effort is an enhanced website, collaborative promotional campaigns with its business partners, special events, case lot sales, Commissary Fast Facts, and other initiatives. While all regions are improving their outreach, NMFA would especially like to shine a spotlight on the outstanding outreach programs provided by DeCA's European Region. The region conducts extensive nutrition education and commissary awareness programs for families and servicemembers, provides a wide range of information in commissary stores and distributes recipes and fact sheets for publication in installation newspapers and spouse club newsletters. The enthusiasm generated by the outreach done in this region reaches into the local stores, where store directors and staff reflect their pride in the benefit they provide.

NMFA especially appreciates DeCA's outreach to Guard and Reserve members and the "Welcome" signs that appeared outside each commissary after the enactment of the FY 2004 National Defense Authorization Act brought the elimination of the restrictions on use by members of the Guard and Reserve. NMFA also applauds DeCA's plans to hold case lot sales in places where large numbers of Guard and Reserve members, military retirees, and survivors do not have access to a commissary. Some commissaries extend their outreach into the Guard and Reserve community by providing email updates to Family Readiness Programs or units.

While applauding these outreach successes, NMFA strongly suggests that the agency must do more to keep beneficiaries informed of changes in commissary operations or of special programs, especially at the store level. Better communication about the benefit will further increase commissary use and increase satisfaction with the system. NMFA finds that DeCA's website, [www.commissaries.com](http://www.commissaries.com), provides a great deal of information about the commissary benefit, new initiatives, and store operations in some locations. However, we also find, much to our disappointment, that many beneficiaries are not aware of the website and the information it provides. Those who are aware of the website are often disappointed that their local commissary's information is not complete or up-to-date. Many stores are not using their websites to highlight weekly specials or special event sales, disruptions in the stocking of products, or information on temporary adjustments in store hours due to installation exercises.

Last summer's bankruptcy of a major distributor serving commissaries across a broad section of the central United States and Hawaii highlighted some of the work DeCA still must do to bring consistency into its communications message and to maintain customer satisfaction. As vendors scrambled to find new distributors in these areas, commissaries ran out of certain products (all laundry detergent, diapers, dairy products, and pet foods were some examples provided to NMFA) and did not receive replacement stock. Some stores placed no notice on the



empty shelves. Others simply placed an out of stock sign on the empty shelves, with no explanation about the problem. A few stores posted large signs at the entrance explaining the distributor problem. Customers told NMFA that they had given up going to the commissary because they didn't want to make the effort to get through installation security only to find out that the shelves were still empty. NMFA searched the store websites in the affected regions and found only one mention of the distributor problem. By not making customers aware of the problem, and, more importantly, when it was resolved and thus "safe" to return to the commissary, stores may have driven customers away a lot longer than the distributor-generated shortages would have. After hearing from our volunteer Representatives about the problem, NMFA encouraged DeCA to prompt store directors to make better use of their store web pages. We continue to urge DeCA to monitor store sites to ensure that vital, timely information is provided in a consistent format to beneficiaries.

### **Keeping the Benefit Strong**

While noting the above communications problems, NMFA must state that, overall, DeCA is responsive to the needs of the community and to beneficiary suggestions for improvements. Long-standing areas of concern for beneficiaries such as the quality of meat and produce generally show improvement in DeCA's surveys and NMFA finds DeCA staff respond quickly when a problem is directed to them. Produce quality remains an issue in some locations and NMFA will continue to monitor DeCA actions to improve the consistency of produce quality.

NMFA believes that DeCA's successes in improving customer service, the cleanliness and functionality of its stores, outreach to beneficiaries, and the quality of produce and meat, in addition to increasing customer savings, have been made possible through its ability to remain focused on gaining efficiencies and creating initiatives to enhance its service to beneficiaries. We also believe that these initiatives bring value to the government and to the American taxpayer by leveraging the appropriated funds DeCA receives into a military benefit valued at a much higher level by beneficiaries and by the actual savings delivered. Because of the value commissaries add to the quality of life of individual servicemembers, retirees, families, and survivors and to the military community, NMFA is very concerned that this benefit be preserved as part of the military compensation package.

During the past year, DoD announced plans to close a number of commissaries, replace the traditional three-star officer serving as chairman of the Commissary Operating Board (COB) with a political appointee, and require a study on instituting variable pricing for commissary products. These proposals are apparently intended to save money by reducing DeCA's annual appropriation. NMFA is concerned that the recommendation to "civilianize" the chairmanship of the COB is another indicator of DoD's ongoing interest in eventually privatizing the benefit, which NMFA opposes. NMFA believes that uniformed military leaders, who are responsible for the well-being of their Soldiers, Sailors, Airmen, and Marines, must continue to maintain their leadership function on the COB to provide oversight of this important benefit.

NMFA is also opposed to the concept of variable pricing. We believe it is being proposed solely as a strategy to reduce appropriated funding for the commissary benefit. With average savings currently at approximately 32 percent, we cannot understand why the administration's proposal for variable pricing sets a benchmark of 30 percent. While we agree more needs to be

done to increase savings in some locations, we do not believe that a procedure that disrupts the well understood pricing formula of cost plus 5 percent provides a better benefit. Encouraging DeCA to continue implementing efficiencies and to work with its vendors to secure the lowest prices possible will provide the best benefit over the long term and increase average savings for the customer. If vendors are already selling goods to the commissaries at their best possible price, how long will they continue to do so if local commissaries can raise those prices simply to compensate for cutting prices on other products? It seems to us that implementing variable pricing on a worldwide scale would also require increased staffing to manage the process. These new positions would either have to come from existing staffing levels—which NMFA believes are already dangerously close to the minimum needed at the store level to maintain quality customer service—or would require more, not less, operating funds. NMFA fails to see the benefit to either the customer or the taxpayer in this proposal.

NMFA appreciates the strong stand taken by Members of Congress, senior military leaders, including the COB and U.S. Army Europe (USAREUR) Commander General B.B. Bell, in support of retaining the commissaries recommended for closure. Senior DoD officials have in the past cited the special importance of commissaries to servicemembers and families stationed overseas and in isolated communities in the United States. NMFA, therefore, was dismayed that the list of closures released in August 2003 contained so many stores in remote locations. Families also were dismayed. NMFA heard from many families who shared driving times and distances not just to the nearest commissary, but to the nearest civilian grocery store. Quality of life issues, such as high cost of living in the surrounding civilian community, remote locations, and the need to provide an American-like grocery benefit and “touch of home” in overseas communities must always take precedence over cutting an appropriation that consistently provides the Department with a high return on its investment. NMFA also heard from Guard and Reserve servicemembers and families who noted the irony of their receipt of full commissary access just at the time when the benefit they had just won seemed to be under fire. NMFA would also hope that the impact on all categories of beneficiaries—active duty, retiree, National Guard, and Reserve—be considered in any decision to close individual commissaries.

NMFA thanks you, Mr. Chairman, and Ranking Member Snyder for your understanding of the commissary’s importance to the military community and of the impact proposals to change the benefit have on a community under stress. We applaud your statements in your November 21, 2003 letter to the Secretary of Defense in which you pledged to “work assiduously to maintain and enhance the benefits provided by the Defense Commissary System.” We second the concerns you raise in your letter that Department proposals to close certain commissaries, institute variable pricing, and do away with the military leadership of the COB “are sending the wrong message about the Department’s commitment to the quality of life of our military families at the very moment when we can least afford to alienate the force.”

*Quality of life considerations must be given high priority in any decision to close individual commissaries. NMFA opposes all privatization and variable-pricing initiatives and strongly supports full or even enhanced funding of the commissary benefit to sustain the current level of service for all patrons: active duty and Guard and Reserve servicemembers, retirees, their families, and survivors.*

## MILITARY EXCHANGES

Active duty and reserve component servicemembers, retirees, their families, and survivors consistently rate the military exchanges as important quality of life components. Beneficiaries value the exchanges—to include the vendors in exchange malls and the ancillary services such as service stations, barber shops, and shoppettes—because they provide a great service to the local community where they serve and live. Beneficiaries value low everyday prices on consumer goods and the convenience of catalog and Internet mail order services. The exchanges' online store, operated by the Army and Air Force Exchange Service (AAFES) continues to increase in popularity, especially among Guard and Reserve members and retirees who do not live near an installation, deployed servicemembers, and families stationed overseas. The online store provides broader access to the benefit exchange customers have earned. Expanded exchange furniture and appliance lines have become especially popular with many customers. Holders of the exchanges' Military STAR card value its low interest rate, the lowest of any major credit card, and the flexibility it provides under its Deployment Program, enabling certain deployed servicemembers with accounts in good standing to request through their commanders that their interest rate on outstanding balances be lowered to 6 percent.

The exchange services also bring a touch of home to deployed servicemembers, through ship stores in the Navy and through AAFES activities in deployed areas. Exchange employees provide retail operations, name brand fast food outlets, Internet cafes, and phone services in many remote areas. NMFA applauds the exchange employees who have deployed with the troops and who serve them in often dangerous and remote locations. AAFES "Gifts from the Homefront" program allows people to purchase AAFES gift certificates that can be sent to individual authorized patrons or donated to deployed servicemembers through the Red Cross, Air Force Aid Society, or the Fisher House.

The exchanges not only provide essential goods and services, but also generate vital funding for a variety of important Morale, Welfare and Recreation (MWR) programs that are essential to maintaining a high quality of life for members of the military community. Funds generated for MWR by the exchanges are funds that do not have to be provided by the servicemembers and their families to support these programs.

NMFA applauds outreach efforts by the military exchanges to support military families and to recognize the contributions of retirees to the military community. Special "Still Serving" events and Retiree Appreciation Days draw retirees to the installations and renew their identification with today's force. Many exchanges also sponsor special events for children and young families, featuring read aloud times, offering coupons or other incentives for good report cards, or special family night sales and events. We do note that, while improving, exchanges in many locations still need to work on their product lines to ensure that brand name goods in a variety of price points are available to meet the needs of the very diverse beneficiary population. Exchanges must also more aggressively ensure that exchange prices in the products they carry are comparable, not just to identical brands, but to other brands of similar quality in civilian stores. Military beneficiaries want to make their exchange their store of choice. An exchange that does not carry the goods they need, in the price range they can afford, or with the quality they expect will not be their first choice.



### **What is the Future for the Exchanges?**

Tighter security requirements, reduced ease of access in some cases, increased deployments, changing buying habits of beneficiaries, and the upcoming round of Base Realignment and Closure (BRAC) pose challenges for the military exchange systems. NMFA sees even greater challenges ahead in preserving adequate funding levels for MWR programs. NMFA has in the past supported the decision to keep the exchange systems separate while encouraging the adoption of common behind-the-store systems where efficiencies are viable. These areas include purchasing, distribution and logistics, finance, information systems, and other administrative functions. The exchanges are partnering successfully on certain private label brands and NMFA encourages more of these partnerships in the future to ensure that funds generated by exchange sales are available to be used for MWR programs and not needed to fund the administration of the exchange systems.

NMFA has been following the work of DoD's Unified Exchange Task Force (UETF) closely to determine whether the DoD proposal to combine the exchange systems will have the potential to increase funding available for MWR while ensuring responsiveness to the needs of the beneficiaries and their communities. We thank the leadership of the UETF for its efforts to keep NMFA and other associations informed about its vision, goals, and research into how to design a uniform exchange system. Associations have met quarterly with the UETF leadership since its inception and appreciate the dialogue. We responded to the request of the UETF to publicize its website and to invite comments from beneficiaries about the value of the exchange benefit and their concerns about consolidation. Our members appreciated the thoughtful responses they received to their comments.

While we appreciate the responsiveness of the UETF, NMFA must note that the Task Force cannot yet answer what is to us the critical question: How will this affect the beneficiaries? We believe the issue at stake in this discussion is bigger than a question of whether or not to combine the exchanges. MWR revenues support a variety of the most basic support programs available for families, single servicemembers, and other members of the military community. NMFA most wants to know whether consolidation will provide enough savings to support MWR programs at the level needed to support the community. If not, what else do we need to ensure the viability of these programs? NMFA also wonders how the costs of transitioning to a consolidated system will be covered. We believe the MWR funding stream must be protected and would not want to see funds diverted, even with the promise of savings and recovered revenue in future years. Families tell us that MWR programs are stretched too thin now to be asked to forego revenues in order to pay for a transition to a consolidated exchange system. We also wonder how funds generated by a consolidated system will be reapportioned back to the Services and installations in a way that takes into account Service size, sales generated, community needs, and the multi-Service and combined active and reserve component missions of some installations.

In its briefings, the UETF has informed beneficiary associations that the consolidation will mostly affect behind-the-scenes support operations and that it should be seamless to the beneficiary. Task Force leaders state that the Service or installation identity will be maintained in the individual stores. NMFA is less concerned with maintaining a strong Service identity at



the store level than with ensuring that the local store manager has the flexibility to respond to the distinctive needs of the local community. We believe that in the increasingly "joint" environment of today's military, the exchanges will have to move beyond their Service identities regardless of whether they are consolidated or remain as stand alone entities. We see it already in the multi-Service selections of Physical Training clothing and uniforms in many exchanges.

Consolidation issues that most concern NMFA are those that may require the maintenance of a Service-specific program, such as the Navy's Ship Stores. We are also concerned about a local exchange manager's ability, under a consolidated system, to provide certain Service-specific programs or incentives. For example, at some Marine Corps installations, exchange shoppers can receive "child care bucks" when spending certain amounts at the exchange. These coupons can be used to pay for child care at the installation Child Development Center. NMFA thinks this is a wonderful initiative at installations serving many young families; it helps them pay for child care and it makes the exchange their store of choice. We believe this program is made possible because of the integration of child care programs and the exchange as part of Marine Corps Community Services. We wonder whether this program could continue under a consolidated exchange system.

*NMFA appreciates the willingness of the Unified Exchange Task Force to engage in dialogue with beneficiary associations and to seek beneficiary input on issues related to a potential consolidation of the exchange systems. NMFA cannot take a position on exchange consolidation, however, until it is presented with more information on the costs involved in moving to a consolidated system and the effects on the flexibility of a local exchange to respond to the needs of the community and to offer products and services tailored to that community. NMFA asks this Subcommittee to provide the oversight necessary to ensure that the exchanges, whether or not they consolidate, continue to provide appropriate product choices, competitive prices, and increased funding for MWR programs.*

### **MORALE, WELFARE, AND RECREATION PROGRAMS**

True communities are not just made up of houses and places of work; they also include the support facilities to provide community interaction and wholesome, safe activities. Like commissaries and exchanges, Morale, Welfare, and Recreation (MWR) programs enhance quality of life for service members, military retirees, their families, and survivors. MWR activities draw beneficiaries to that community, promote esprit de corps, enhance educational opportunities, and provide support in times of high tempo. Servicemembers stationed far from home on lengthy deployments depend on MWR activities as a lifeline to home and a respite from arduous duty. Their family members depend on MWR programs for wholesome, affordable activities that demonstrate to them the community's concern for their wellbeing while the servicemember is away. Retirees view the availability of MWR programs as part of the benefit package promised them, their families, and their survivors when they first entered active duty. Participation in MWR programs also facilitates retirees' continued connection to the military community. In the current security environment, MWR facilities are viewed as a safe haven in military communities both overseas and in the United States.

Since September 11, 2001, active duty members and their National Guard and Reserve peers have engaged in numerous duty assignments from homeland security to armed conflict. At the same time, members have continued to perform ongoing missions in various far-flung areas of the globe. Deployments produce economic and psychological strain and raise stress levels in the family. The lifeline to the military family, the military community, also feels the strain. Family services are important to an installation not pressured by high optempo or conflict-related deployments. They are essential when families are left behind. Family center personnel, military chaplains, installation mental health professionals, and MWR programs all provide needed assistance to families. Because of these programs' value to the readiness of servicemembers, the costs of providing additional services to meet the needs of the mission must be included in the funding received to conduct that mission.

It is important to remember that MWR programs are part of an interconnected network of family and community support activities. Many family support programs, as well as MWR activities, receive both appropriated and non-appropriated funds and, NMFA has found, are increasingly staffed by personnel paid out of non-appropriated fund accounts. Because these programs are so intertwined, NMFA, in the following sections, will highlight issues involving the full range of servicemember, family, and community support programs.

### **Families and Deployment**

When spouses find themselves as the sole head of the family, the services available to assist them and their children are truly lifelines. E-mail, video teleconferencing centers, and special family activities ease the strains and pains of separation. But none of these services are without cost. Just as the deployed servicemember's readiness is dependent on proper training, food, shelter, clothing and weapons systems, the readiness of the family is dependent on accessing needed services. Both must have adequate funding and staff to ensure a force ready to successfully carry out its assigned mission. Although recreation programs are valued, the morale and welfare services are the most important parts of MWR for many deployed service members and their families.

Lessons learned during the first Gulf War and subsequent operations on how to support families have resulted in a wider range of options to assist families, units, and installations in communication and family support during the most recent deployments. Recent initiatives to support families include:

- Toll-free information lines
- Partnerships with organizations such as the Armed Forces YMCA, Boys and Girls Clubs, and 4-H Clubs to provide additional youth activities and after-school care
- Increased after-hours child care available at some installations
- Family readiness materials posted on various Department and Service web sites
- Additional Family Assistance Centers set up in communities dealing with high levels of deployment
- Improved information and assistance for reserve component families transitioning to TRICARE
- Family support personnel tasked to obtain family contact information from servicemembers at mobilization sites
- Increased training and guidance for rear detachment personnel

- Increased interaction with nearby civilian community organizations, including schools
- Improved return and reunion programs to support servicemembers and families in the post-deployment period

Chaplains' programs have also provided important support for families and servicemembers, especially in the critical "Return and Reunion" period. While technically not part of MWR, chaplains work closely with the family centers and family support programs operated under MWR. NMFA thanks this Subcommittee for including language in the FY 2004 National Defense Authorization Act to clarify that appropriated funds may pay the expenses of active and reserve component servicemembers and their families to participate in command-sponsored, chaplain-lead training opportunities.

Based on what NMFA hears from families, initiatives put in place since the first Gulf War have enabled them to better cope with deployment-related demands this time around. There are gaps, however. Problem areas include the need for more child care, better communication with the servicemember, timely information from the command, specialized support for geographically-separated Guard and Reserve families, training and back-up for family readiness volunteers, and enhanced support mechanisms to deal with crisis situations arising from long or frequent deployments. NMFA is concerned that installations have had to divert resources from the basic level of family programs to address the surges of mobilization and return. Resources must be available for commanders and others charged with ensuring family readiness to help alleviate the strains on families facing more frequent and longer deployments.

Family readiness volunteers and installation family support personnel have been stretched thin over the past two years as they have had to juggle pre-deployment, ongoing deployment, and return and reunion support, often simultaneously. Unfortunately, this juggling act will likely continue for some time. Volunteers, whose fatigue is evident, are frustrated with being called on too often during longer than anticipated and repeated deployments. We now hear from volunteers and family members whose servicemember is serving in their second long deployment to a combat zone since the war on terrorism began. Family member volunteers support the servicemembers' choice to serve; however, they are worn out and concerned they do not have the training or the backup from the family support professionals to handle the problems facing some families in their units. Military community volunteers are the front line troops in the mission to ensure family readiness. They deserve training, information, and assistance from their commands, supportive unit rear detachment personnel, professional backup to deal with family issues beyond their expertise and comfort level, and opportunities for respite before becoming overwhelmed. NMFA is pleased that the Army is establishing paid Family Readiness Group positions at many installations dealing with deployments to provide additional support to families and volunteers.

NMFA knows that the length of a deployment in times of war is subject to change, but also understands the frustrations of family members who eagerly anticipated the return of their servicemembers on a certain date only to be informed at the last minute that the deployment will be extended. The unpredictability of the length and frequency of deployments is perhaps the single most important factor, other than the danger inherent in combat situations, frustrating families today. Families who can count on a set return date cope better than those dealing with an

unknown return. Families and servicemembers who can count on a period at home between deployments will be more likely to choose to stay with the military. Because of the unpredictable nature of the military mission today, family members need more help in acquiring the tools to cope with the unpredictability.

*NMFA applauds the various initiatives designed to meet the needs of servicemembers and families wherever they live and whenever they need them and requests adequate funding to ensure continuation both of the "bedrock" support programs and implementation of new initiatives. Higher stress levels caused by open-ended deployments require a higher level of community support. Family readiness responsibilities must be clearly delineated so that the burden does not fall disproportionately on volunteers.*

#### **National Guard and Reserve Families**

As of February 25, 2004, 182,664 National Guard and Reserve members were on active duty. When the current rotation into Iraq is complete, it is estimated that approximately 40 percent of the troops in Iraq will be Guard and Reserve members. While many of the challenges faced by their families are similar to those of active component families, they must face them with a less-concentrated and less-mature support network and, in many cases, without prior experience with military life. Unlike active duty units located on one installation with families in close proximity, reserve component families are frequently hundreds of miles from the servicemember's unit. Therefore, unless they pay for their own travel expenses, families are often unable to attend unit pre-deployment briefings. NMFA constantly hears the frustrations family members experience when trying to access information and understand their benefits. The lack of accurate benefit information and unrelenting communication difficulties are common themes among Guard and Reserve families. Guard and Reserve members wonder how more of the revenue they provide to MWR programs through their exchange purchases can be targeted to programs for themselves and their families both on and off military installations.

DoD has developed several key initiatives that address the needs of Guard and Reserve families. NMFA applauds these efforts, but there is still much to be done. The Guard and Reserve have increased the number of paid family readiness coordinators and established more Family Assistance Centers to help volunteers and provide basic information. Guard and Reserve unit volunteers, even more than many of their active duty counterparts, are still stressed, however, because of the numbers of families they must assist and the demands placed upon them. At a minimum, NMFA asks this Subcommittee to encourage DoD to be more aggressive in securing additional child care slots and to authorize increased funding for child care programs located off military installations to enable these dedicated volunteers to perform their expected tasks more efficiently. Funding to enable families to attend pre-deployment briefings would help strengthen the ties between the units and the families, as well as the families with each other, and help ensure that accurate information is provided directly to the family members. Guard and Reserve families ask for standardized materials that are appropriate to all services, so that if an Army Reserve family happens to live close to a Navy installation they would understand how to access services there. The establishment of a joint Family Readiness program could facilitate the understanding and sharing of information between all military family members.



*The cost of meeting unique family readiness needs for National Guard and Reserve families must be calculated in Guard and Reserve operational budgets and additional resources provided. DoD should partner with other organizations and explore new means of providing communication and support to geographically dispersed families.*

#### **Opportunities Exist for Joint-Service Collaboration**

NMFA applauds the Office of Military Community and Family Policy in the Office of the Secretary of Defense (OSD) for its creation of a Joint Family Support Contingency Working Group to promote better information-sharing and planning among OSD and the military Service headquarters family support staff, including the reserve components. NMFA appreciates the invitation to participate in this working group, an innovative concept that grew out of the successful collaboration in the operation of the Pentagon family assistance center after the attack on the Pentagon. The working group understands that most military families live off-base and is encouraging new ways of helping families that are not all centered on the installation. NMFA has long promoted additional outreach into the civilian community by installation personnel so that family members unable to get to an installation can still receive needed assistance. The possibility of further incidents that might prompt restricted access to installations makes this outreach even more imperative.

Working group discussions have also highlighted just how "joint" our military has become and how joint coordination to improve family readiness makes sense in providing consistent information and in using scarce personnel and other resources to the best advantage. Because servicemembers increasingly serve on joint missions or are assigned to installations not belonging to their parent Service, they need easily accessible information and support not necessarily tied to one particular Service. A start in improved joint family readiness support has been the establishment a common web portal with links to military Service, private organization, and other useful government sites ([www.deploymentconnections.org](http://www.deploymentconnections.org)).

With the January implementation of Navy One Source and February implementation of its Air Force counterpart, all active and reserve component personnel and their families can now access the "One Source" 24-hour information and referral service previously available only for Marine Corps and Army personnel. One Source provides information and assistance in such areas as parenting and child care, educational services, financial information and counseling, civilian legal advice, elder care, crisis support, and relocation information. The service is available via telephone, e-mail, or the web and is designed to augment existing Service support activities and to link customers to key resources, web pages and call centers. It will also be available to family center staff, many of whom tell NMFA that they regard it as a useful tool to expand the assistance they can provide families. One Source is operated for the military Services by a civilian company that provides similar Employee Assistance Programs for private industry. Early statistics on use indicate that servicemembers and families are accessing One Source primarily for everyday issues and basic information about military life. Military families who use One Source are pleased with the support and information provided. One Source also received high marks from a panel of military spouses at a Quality of Life hearing before the Military Construction Subcommittee of the House Appropriations Committee on February 25.

While NMFA believes One Source is an important tool for family support, it is not a substitute for the installation-based family support professionals or the Family Assistance Centers serving Guard and Reserve families. NMFA is concerned that in a tight budget situation, family support staffing might be cut under the assumption that the support could be provided remotely through One Source. The One Source information and referral service must be properly coordinated with other support services, to enable family support professionals to manage the many tasks that come from high optempo. The responsibility for training rear detachment personnel and volunteers and in providing the backup for complicated cases beyond the knowledge or comfort level of the volunteers should flow to the installation family center or Guard and Reserve family readiness staff. Family program staff must also facilitate communication and collaboration between the rear detachment, volunteers, and agencies such as chaplains, schools, and medical personnel.

### **Child Care**

Military child care is another important element in family readiness. Deployments increase the need for child care. Families in which the parents were previously able to manage their work schedules to cover the care of their children must now seek outside child care as one parent deploys. Guard and Reserve families do not usually live close enough to a military installation to take advantage of the subsidized, high-quality care available at the Child Development Center or Family Child Care homes. Since 2000, DoD has had the authority to increase the availability of child care and youth programs through partnerships with civilian agencies and other organizations. The Services set up pilot programs to take advantage of this authority and obtain more care for children off the installations and funding obtained through recent Supplemental funding bills was used to provide more care for families who could not access installation child care; however, only a small percentage of DoD-subsidized child care is provided off-base.

Military spouses of deployed servicemembers emphatically tell NMFA they need more child care slots. While there may be some increased need for full-time slots, the greatest need seems to be for part-time or hourly care to support spouses in their roles of family readiness volunteers; to enable a spouse to keep a doctor's appointment or attend a parent-teacher conference; to support a spouse who has cut back work hours from full to part time because of a deployment; or just to provide a well-deserved respite for both parent and children. Hourly care has almost always been in short supply at most installations and NMFA is concerned that current funding levels for the Military Child Development system may not be adequate to meet both the routine demands for child care and the increased need due to deployments. We ask this Subcommittee to authorize additional funding to ensure the provision of the high quality child care servicemembers and their families need.

To meet the needs of far-flung families, some with limited funds to pay for child care, DoD must look for innovative ways to provide access to child care services, tied not to specific locations selected by DoD, but to what best serves parents and children. Employee Assistance Programs such as One Source can help families locate the child care, but a DoD subsidy, possibly based on the income categories used to determine rates at DoD centers, is needed to help create a more equitable benefit. Another option to help military families pay for child care

would be to make them eligible to contribute pre-tax dollars to a Flexible Spending Account. These accounts are popular in many civilian work places and are authorized for Federal civilians.

NMFA also encourages the Services to work more aggressively to retain the military spouses they have trained as Family Child Care Providers. These highly-trained spouses generally provide care on military installations, supervised by the installation Child and Youth Services. If they move to another installation, but are forced to live off-base, it is difficult, if not impossible, to retain status as military Family Child Care Providers. Many military families living off the installation need child care and the military has a well-trained pool of spouses who could support the installation's need, especially for after-hours care, yet the two find it difficult to meet. NMFA suggests the military develop reciprocity agreements with states so that training and certification provided by a military Service could help a military spouse meet state child care licensing requirements more quickly. Enabling military spouses providing child care off the installation to remain a part of the military's network of Family Child Care providers would accomplish two goals: enhancing military spouse career portability and increasing the pool of child care providers for military families.

*Innovative ways of meeting the child care needs of geographically-dispersed families and the deployment-related surge demand for child care may need to include a combination of subsidies, the use of information and referral services, and the option of Flexible Spending Accounts, in addition to increased slots available in the DoD child development system.*

### **Return and Reunion**

The Services recognize the importance of educating servicemembers and family members about how to effect a successful homecoming and reunion and have taken steps to do so. The Navy pioneered this process and has been holding reunion briefings on ships prior to homecoming for several years. The Army, Marine Corps, and Air Force, learning lessons from recent deployments and the tragedy at Fort Bragg in the summer of 2002, have developed online programs and brochures for the servicemembers and their families. They have also stepped up briefings for returning servicemembers and, when possible, their families to assist in the return and reunion process. Information gathered in the now-mandatory post-deployment health assessments may also help identify servicemembers who may need more specialized assistance in making the transition home. Successful return and reunion plans depend on the interaction between all helping agencies, support from the command, and multiple methods of getting information and assistance to servicemembers and families.

Return and reunion programs are aimed at both traditional and non-traditional family units, including single and married servicemembers, spouses, parents, children, and significant others. The information spans subjects from finances and division of chores to recultivating family intimacy and practicing safe driving procedures. The Services have gone from the old policy of "if we wanted you to have a family we would have issued you one" to sharing guidance on how to reestablish intimacy with your spouse or significant other after separation. The one underlying theme with almost all the literature available is to "go slow" and develop realistic homecoming expectations. Other organizations outside the Services, such as the American Red Cross, offer reunion resources as well.



The question remains, however: how can one access the information? The plan for many returning military units is to brief them as units before they are returned home, but what about the servicemembers deployed and returning individually? Information for families is readily available on a variety of "unofficial", family-friendly web sites. However, there are times one needs to know the special code word or the secret hand shake to navigate or even find the official Service web sites—to know that Lifelines is the family friendly program for the Navy, Crossroads is the source for Air Force family information, the Well-Being tab on the official Army site contains information on family programs, that Marine Corps Community Services handles both family support and the exchange, or that One Source is available for both active and reserve servicemembers. Web information is an easy fix, however. The biggest challenge is reaching the geographically isolated families, the families of servicemembers who deployed individually or not as a part of a unit, or the families with no access to the web. News about briefings for families should be disseminated as widely as possible. As NMFA has emphasized before, family briefings would be better attended if child care and travel expenses were provided.

NMFA applauds the quality of much of the new reunion information. It is a great example of "purple" information—much of the new material is not Service specific. In addition, the special attention paid to the Guard and Reserve returnees and their reacclimation into the work place enhances the scope of the entire reunion process. The inclusive way all the Services, active and reserve components, are addressed in this literature serves as a model for how information should be presented in a joint family readiness plan in the future.

Successful return and reunion programs will require attention over the long term. Many mental health experts state that some post-deployment problems may not surface for several months after the servicemembers' return. NMFA is especially concerned about the services that will be available to the families of returning Guard and Reserve members and servicemembers who leave the military following the end of their enlistment. Although they may be eligible for transitional health care benefits and the servicemember may seek care through the Veterans' Administration, what happens when the military health benefits run out and deployment-related stresses still affect the family? As part of its return and reunion plan, the Army's One Source contract will help returning servicemembers and families access local community resources and to receive up to six free face-to-face mental health visits with a professional outside the chain of command.

*As with other family readiness information and support, return and reunion programs should be both unit and community-based and should be facilitated by a collaborative effort of all helping agencies across the active and reserve components of all Services. Return and reunion support must be considered a commitment to servicemembers and families over a period of several months. Special attention must be provided to ensure that geographically separated families have access to needed services, especially following a servicemember's deactivation.*

### **Single Servicemember Programs**

Even as DoD has improved the support offered to the families of the slightly more than 58 percent of the force that is married or has children, NMFA is pleased to note that special programs for single servicemembers also flourish as an integrated part of the MWR program.



Although it started primarily as a recreation program, the Army's Better Opportunities for Single Soldiers (BOSS) program has expanded into a well-rounded program of recreation, education, and activities for single soldiers. The BOSS program helps to bring single soldiers into community decision-making through participation in the Army Family Action Plan process and also helps to educate single soldiers about their benefits through cooperation with commissary and exchange officials. The Single Marine Program (SMP) also emphasizes Marines' responsibilities to the community by encouraging them to identify solutions to their quality of life concerns and to resolve them by working through their chain of command. Many participants in the SMP support their communities through Habitat for Humanity, Special Olympics, Big Brothers and Big Sisters, food banks, and other volunteer organizations.

NMFA applauds Service outreach to single servicemembers and, in some cases, their parents and significant others. NMFA believes more can be done, however, to include single servicemembers in the life of the military community and to acquaint them with their benefits. A soon-to-be launched Air Force Program, UBU, allows airmen basic through senior airmen the opportunity to select discounts in most Air Force Services business activities and receive special membership opportunities once their training is complete. Two videos showing airmen participating in sports and leisure activities have been produced to showcase the value and benefits of services activities as well as Air Force club membership. Services representatives will show the videos during briefings to basic military trainees and students in technical schools. Also provided at the briefings are details about various MWR activities and operations, including information about bowling, golf, outdoor recreation, student and community centers, and Information, Ticket and Travel offices. NMFA especially commends outreach efforts such as those of the Pope Air Force Base Family Service Center staff as a best practice that should be replicated. They recently began an educational campaign to visit the single member dorms and acquaint residents with the financial literacy, deployment support, and other programs available through the family center. Their message to the singles: you are part of the Air Force family and, therefore, are welcome to take advantage of the programs provided by the family center.

### **Accessing the Benefit: Funding Support for MWR**

Heightened installation security, increased deployments and optempo, and the need for members of the military community to provide greater support both for the mission and each other have highlighted the importance of MWR programs for the community during the past year. They have also created continuing challenges for DoD and the military Services in ensuring that the resources are available to provide the range of morale and welfare programs and family support needed by deployed servicemembers, their families and other community members at home. NMFA is concerned that disruptions in patron use caused by high security situations or deployments could impede the generation of MWR funds used to support other installation activities. Installations experiencing high levels of deployment report a surge of sales at exchanges immediately prior to deployments followed by a lull. NMFA is concerned that lower revenue from exchanges and other MWR enterprises may force cut-backs in other key recreational and support programs. While families have told NMFA that many installations have added to their list of free or low-cost programs and activities available to families of deployed servicemembers, we also note inconsistencies regarding the level of programs available. At some installations, hours of operation for facilities such as bowling alleys, fitness centers and other activities remained unchanged as servicemembers deployed. Some installation MWR staff cited

deployments as the reason for cutting hours, while others cited deployments as the reason for lengthening hours.

Support services for families of deployed service members—the e-mail services, dedicated support personnel, unit support centers—are necessary, but expensive. Too often, the funding provided for contingency operations and other deployment situations does not include enough for the support services required at home. Installations must find the money from their operations and maintenance accounts to set up the family programs needed when units deploy. Since quality family support contributes to the readiness of the mission, the cost of family support must be factored into the cost of the contingency and adequate funding budgeted and provided upfront. This family support includes the proper staffing and funding for MWR programs at the home installation. Commanders should not have to choose between funding recreation programs for deployed service members or for the servicemembers' children.

*NMFA has noted the Services' responsiveness to local needs and the willingness to put additional resources in isolated communities or in installations facing high optempo. NMFA encourages Congress to provide the Services with the funding for MWR programs needed by deployed servicemembers, as well as their families and other community members at home.*

### **BRAC**

The publication in the Federal Register of the criteria DoD will use in developing recommendations for closure and realignment under the next BRAC round prompted a heightened concern in the military community about the future status of military installations and the continued availability of vital quality of life programs. Members of the military community, especially retirees, are concerned about the impact base closures will have on their access to their commissary, exchange and MWR benefits. They are concerned that the size of the retiree, Guard, and Reserve populations remaining in a location will not be considered in decisions about whether or not to keep commissaries and exchanges open.

NMFA is also concerned about the availability of commissaries, exchanges, and MWR programs during shifts in troop populations during a CONUS BRAC or realignment of troops overseas. We look to Congress to ensure DoD's plans for these troop shifts will maintain access to quality of life programs and support facilities until the last family leaves the installation. In the same manner, we ask you to ensure that houses, schools, child development and youth programs, and community services are in place to accommodate the surge of families a community can expect to receive as a result of the movement of troops to a new location.

### **STRONG FAMILIES ENSURE A STRONG FORCE**

Mr. Chairman, NMFA is grateful to this Subcommittee for its oversight, its emphasis on quality standards and value to the customer, and its realization that commissaries, exchanges, and MWR activities are vital quality of life components for today's force. NMFA thanks you for your advocacy for a better quality of life for servicemembers and their families. Just as the family worries about the deployed servicemember, the servicemember's constant concern is about the well-being of his or her family. In the dangerous environment in which they must

frequently operate, servicemembers cannot afford to be distracted by concerns at home. Assuring the servicemember that the decision to serve will not penalize the family is critical to the servicemember's readiness and thus to mission readiness. The stability of the military family and community and their support for the forces rests on the Nation's continued focus on the entire package of quality of life components. Military members and their families look to you for continued support for that quality of life. Please don't let them down.

**STATEMENT BY:  
WILLIAM E. STANLEY, Jr.  
CHAIRMAN – AMERICAN LOGISTICS ASSOCIATION**

**BEFORE THE SUBCOMMITTEE ON TOTAL FORCE  
ARMED SERVICES COMMITTEE  
UNITED STATES HOUSE OF REPRESENTATIVES  
SECOND SESSION, 108<sup>TH</sup> CONGRESS**

**HEARINGS ON  
PATRON AND INDUSTRY PERSPECTIVES ON MILITARY  
EXCHANGES, COMMISSARIES AND MORALE WELFARE AND  
RECREATION PROGRAMS**

**MARCH 3, 2004**



William E. Stanley, Jr., is the Military Channel Leader for The Clorox Company. He has responsibility for the company's worldwide military business for all of the products. Bill has been a sales manager for 29 years, five of which were with Procter and Gamble. Twenty-one of the twenty-four years with Clorox, have been in Military Sales.

A native of Durham, North Carolina, Mr. Stanley graduated from Hillside High School in Durham and is a graduate of North Carolina Central University with a Bachelors of Arts Degree in Sociology. Additionally, he received a Certificate from the University of Maryland in its Leadership Development Program.

Bill served as the 28<sup>th</sup> National President of Phi Beta Sigma Fraternity, Inc., an organization of over 100,000 members.

As a member of Friendship Baptist Church in Atlanta, Georgia, he is active on the Board of Deacons, plays in the Adult Handbell Choir, sings in the Men's Ensemble and is a member of the Friendship Theatre Guild. He is involved in many activities to promote community enrichment such as the Kellogg Foundation's (national) Task Force on African American Men and Boys. He was the first president of the Woods of Briarlake Homeowners' Association.

He has received numerous awards and recognition, including six Phi Beta Sigma Presidential Citations, Who's Who Among American Colleges and Universities, Who's Who Among Greek-lettered Organizations, Kentucky Colonel Award, Phi Beta Sigma Executive Director's Award, Phi Beta Sigma Southern Region's Outstanding Sigmas and Social Action Awards, Friendship Baptist Church Outstanding and Dedicated Service Award and National Alliance of Business Award. He also received the NAFEO Outstanding Alumni Award and was listed on Ebony Magazine's "100 Most Influential Blacks in America" list in 1993 and 1994. In July of 1997, he was awarded the highest honor in Phi Beta Sigma-the Distinguished Service Key.

He is the father of 4 children: Elisa, 26; Erica, 25; Elenda, 24; and Garrett, 9. His wife Emily is a manager for Bellsouth.

Mr. Chairman and Members of the Subcommittee:

The American Logistics Association (ALA) is most grateful to this Subcommittee for its strong leadership in preserving and improving the commissary, exchange and MWR benefits for service members, military retirees and their families.

It is an honor to be here today as Chairman of the Board of ALA representing over 400 of America's leading manufacturers, over 100 brokers and distributors and the more than 2,000 individual members who are actively engaged in providing goods and services to the military resale and MWR activities. Our members include companies listed on the Fortune 500 list such as The Clorox Company, PepsiCo, Goodyear Tire Company, Starbucks, Home Depot, Kellogg, Procter & Gamble, H. J. Heinz, Campbell Soup Company, and Johnson & Johnson. Our members are also small businesses such as George Weston Bakeries, Sundrella Furniture, Mother's Cookie Company and Eagle Family Foods.

ALA members supply goods and services to the military community and employ several thousand spouses, family members and retired service members. ALA member firms, including brokers, manufacturers and distributors, offer employment opportunities on a wide range of full-time and part-time positions located on or near U.S. military installations around the world. Military resale and MWR activities also offer jobs and careers.

I want to reaffirm ALA's strong commitment to maintaining the commissary and exchange benefit as an integral part of the total non-pay compensation package for service members and their families. We support these dynamic programs as they provide a broad range of consumable products, goods and services for military personnel and their families including essential MWR program funding, which benefits the entire military community.

Our association actively supports and promotes programs that enhance the Quality of Life for our military service members, retirees and their families. Exchanges are a key component of the Quality of Life of uniformed service members. Currently, authorized patrons are limited in their choice and selection of merchandise sold in exchanges. The Armed Services Exchange Regulation (ASER) delineates who is authorized to use the exchange benefit and what can or cannot be sold by the exchanges. Mr. Chairman, we believe shoppers should have a choice without restrictions of merchandise sold in exchanges. Our military members want and deserve access to products to meet their families' needs without restrictions. Military patrons should not be relegated to a second-class status relative to product choice and availability.

Many of the restrictions are outdated. For example, while TV size and format limits were lifted, exchanges still cannot sell projection televisions or TV's costing over \$3,500 in CONUS. Today, the price-per-inch of a 43-inch projection TV is more affordable than a 40-inch picture tube TV. In addition, digital TV technology has advanced to the degree that consumers can now purchase digital projection TV's (not sold in exchanges) at a lower price than digital tube TV's currently sold in exchanges. While analog projection TV's volume has been trending downward since 1999, digital projection television volume increased nearly 400 percent over the same period. Volume growth estimates for digital projection televisions suggest a more modest growth pattern over the next 3-5 years, as advances in plasma technology make plasma TV's more affordable. Given that the Federal Government has directed that by FY '06 all television

transmission must be digital, the ASER restrictions for all televisions are counterproductive and should be eliminated.

Moreover, military customers are forced to purchase popular projection televisions at commercial retail prices that often come with significantly higher interest rates. Many of these military patrons are young families utilizing credit for the first time and therefore, high interest rates can easily get them into financial difficulty. Mr. Chairman, ALA strongly supports lifting all ASER restrictions on exchange stock assortments.

The ALA supports the primacy of exchange and commissary stores in all military housing areas. We believe that the current policy regarding this issue is appropriate. Civilian retail outlets should not have authority to operate in military housing areas without the consent of the Board of Directors from the appropriate resale agency.

Exchange merchandise sales is a major source of funding for DOD's MWR programs. Each year exchanges provide hundreds of millions of dollars in dividends that are returned to the military communities. Without these dividends, MWR activities would not be able to fulfill their mission and as a result, many worthy programs such as child-care centers and youth programs would be negatively impacted.

Exchange consolidation is an issue of significant concern to our members. ALA does not support this initiative unless a substantive business-based analysis is completed that clearly demonstrates the change will not degrade the current benefit to the patron or the MWR dividend. In addition, any change cannot adversely affect the military resale industry and the stakeholders must agree that actions taken will achieve projected efficiencies. ALA also views with concern the impact this proposed merger may have on our small business members. Today, there are three DOD military exchange markets. Any merger may have a damaging impact on small businesses, as the number of contractual opportunities will diminish, effectively limiting competition and subsequently reducing the benefit.

Mr. Chairman, many industry members believe exchange consolidation may be a precursor of a merged exchange and commissary system. Such consolidation under a non-appropriated funding (NAF) arrangement would eventually erode both the commissary and the exchange benefit, as the cost to the customer would have to increase to sustain the operation, significantly affecting the value of the benefit. In ALA's view, consolidation of exchanges and commissaries should not occur unless there is a substantive business-based analysis that the change will not, in any way, degrade the current benefit to the patron, the MWR dividend, or negatively influence the military resale industry.

Mr. Chairman, the ALA also has concerns about proposals to add private label products to the commissary stock assortment and to introduce variable pricing strategies in order to generate alternative funding for commissaries. The ALA believes that the introduction of private label and variable pricing in commissaries will lead to significant increased costs to the patron and a degradation of the benefit. Therefore, ALA strongly opposes private label products and variable pricing in commissaries.

DOD has directed the Defense Commissary Agency (DeCA) to issue a contract solicitation to study DeCA's Pricing Strategies to determine the feasibility of introducing variable pricing. The tasking memorandum issued by DOD cites research that "suggests opportunities to improve customer satisfaction and lower appropriated fund costs by expanding the Best Value Item (BVI) program (rather than introducing "private label"



products).” The DOD memo states that the research also suggests “a strong case for the continued availability of the leading national brand products and introducing variable pricing to better manage the price gap between the leading national brand and the BVI, while maintaining a 30 percent savings on both national and best value items.”

Under a variable pricing model, the implications for DeCA indicate that prices of goods sold in commissaries would increase by establishing a shelf price that contains a margin. The margin or profit generated by selling items to patrons with a marked-up price would be utilized to offset the appropriation necessary to operate commissary stores. In effect, DOD seeks to transfer the cost of providing the commissary benefit to the patron. DOD’s goal of initiating variable pricing on BVI while maintaining a 30 percent overall savings for the military patron would generate little, if any, revenue with which to offset the current appropriation.

The application of category management practices designed to optimize unit movement and patron savings has enabled DeCA to establish an overall stock assortment that is highly value oriented. In addition, DeCA has utilized the Best Value Item designation to promote its overall value orientation and to provide the consumer with an attractive alternative to private label products offered by civilian retailers. In civilian business models that utilize variable pricing, a stock assortment provides flexibility to increase margins on some items while maintaining competitive prices on core items. Commissaries are not authorized to carry many of those items in their stock assortment, such as Styrofoam Coolers, umbrellas, alarm clocks and reading glasses. Adding a margin to items in the DeCA assortment (especially to items that carry the BVI designation) will substantially alter the value perception of the military patron and affect item movement.

Since the military patron tends to be a price-value shopper, the imposition of an increase of only a few cents on the price of an item will create significant changes in demand patterns. As such, expanding the BVI program and adding a margin to the shelf price of those items, as suggested by DOD, is not a viable strategy to generate a meaningful offset to the current appropriation due to the potential decrease in volume. In addition, an expansion of the BVI program would most likely come at the expense of small businesses that do not possess the economics of scale to compete with larger companies.

DOD’s proposal does not address the fundamental issue of price elasticity, nor does it address the cost of developing and administering a complex pricing model. If any revenue were generated by the application of variable pricing, it would be substantially offset by the cost of software and the cost to train or hire the skilled personnel required to manage and maintain the price models.

Mr. Chairman, taking promotional offerings into account, a variable pricing strategy removes all incentives for manufacturers to offer DeCA their lowest available prices. Currently, manufacturers are encouraged to offer their lowest promoted prices to DeCA in order to stimulate sales volume. Under variable pricing, manufacturers will lose the ability to effectively manage price points as well as the guarantee that all of their promotional dollars will be passed directly to consumers. While price elasticity varies by category, in general, volume declines as prices increase beyond their equilibrium point. In an environment where items are currently sold at the procured cost, the imposition of a mark-up would result in sales volume decreases. As volume falls, manufacturers will be



forced to increase prices (or decrease promotional frequency and depth of promotions) consistent with their practices for the civilian retail trade and as a result prices to patrons will rise.

ALA believes price increases to the patron resulting from the introduction of variable pricing would have the greatest impact on shoppers who are the most price sensitive. The most price sensitive shoppers in commissaries tend to be the lower ranking enlisted and retiree families. Therefore, the burden of offsetting the appropriation would then be born by those who benefit most from the lowest price and who can least afford increased prices in the commissary.

Mr. Chairman, in an era when the DOD has been raising the basic pay of military members to increase their rate of compensation, why shift the burden of operating commissaries to the patron and, in effect, reduce their disposable income? Such a move would lessen the Quality of Life of military families who count on the commissary as a means to achieve significant savings on the purchase of grocery items. Today, a family of four can save \$2,400 per year by shopping at the commissary. This privilege is ranked as most important non-pay compensation benefit for military families. ALA believes that shifting the burden of operating commissaries to the military service member, retirees and their families will undoubtedly be viewed as eroding a highly valued benefit of military service. Also, shifting the burden to the military patron is clearly against Congressional intent as expressed in Section 2486, Title 10, USC which mandates items be sold at the procured cost (plus a surcharge to fund construction and renovations and one percent added to the shelf price to cover shrinkage). Simply stated, variable pricing in commissaries will not work.

Base Realignment And Closure (BRAC) issues also are of significant concern to our members. ALA urges Members of Congress to protect the interests of all beneficiaries impacted by base closures and realignments, including Guard and Reserve, retirees and their families. Mr. Chairman, we support preserving Quality of Life benefits such as commissaries, exchanges, MWR/Services, child-care, medical facilities and certain family services for the military community that remains at a BRAC installation. The precedents for this consideration are Fort Meade, MD and the Joint Training Facility, Fort Worth, TX. While both installations were closed or realigned under previous BRAC rounds, Quality of Life programs in those respective areas are larger today than when each served as an active duty facility.

Recognizing that the commissary shopping privilege is ranked as a highly desired and important non-pay compensation benefit for military families, the delivery model requires a new look when a BRAC installation is transformed into a Guard and Reserve base. In recognition of DOD's new focus on the National Guard and Reserve force mission and Congressional approval last year of unlimited commissary shopping privileges for Guard/Reserve, retirees and their families, ALA believes the interests of all beneficiaries should be included in the demographic criteria for preserving commissaries and other Quality of Life programs at BRAC installations.

Maintaining a dynamic military community with outstanding Quality of Life programs is essential in today's climate of repeated deployments, often back-to-back, ever increasing workloads and greater sacrifices for service members and their families. Eliminating commissaries, exchanges and other family services at BRAC installations is.

in our view, unwise and sends the wrong message to our military service members, Guard and Reserve, retirees and their families. We urge Congress not to let this happen.

Without the continued support of the Congress of the United States, we believe the benefits now afforded to our military community will be eroded and our service members, retirees and their families will suffer.

Thank you, Mr. Chairman, and Members of the Subcommittee for providing industry the opportunity to present its views on these critically important topics. More importantly, thank you for your stewardship of these important benefits that are essential to our military families' Quality of Life.

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**QUESTIONS AND ANSWERS SUBMITTED FOR THE  
RECORD**

MARCH 3, 2004

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## QUESTIONS SUBMITTED BY MR. MCHUGH

Mr. MCHUGH. Secretary Abell, your August 29, 2003 memorandum raised the question about the need to close 14 commissaries because they either were not meeting minimum performance standards or were not serving sufficient numbers of patrons while being located near to another store. The memo also identified 19 other stores that were not meeting performance standards and may be good candidates for closure in the future. When the memo was made public on October 15, 2003, it created a furor at affected locations where families feared they would lose their commissaries and their quality of life would suffer. This episode seems to run counter to the DeCA culture which readily supports some financially inefficient stores because DeCA is in the business of providing a benefit and protecting the welfare of members and families regardless of cost.

- Are quality of life factors included in the process for determining whether a commissary should remain open or be closed?
- Do OSD and service decision makers and the Commissary Operating Board recognize that some commissaries cannot be closed because of quality of life concerns, regardless of poor financial performance?
- Regarding each individual closure, will the justification accompanying the decision provide assurances that quality of life factors were properly considered in the decision?

Secretary ABELL. When assessing whether to close a commissary store, primary consideration is given to the effect of the closure on the quality of life of Active Duty members and their dependents who use the store and on the welfare and security of the military community in which the commissary is located. The effect of the closure on the quality of life of the Reserve Components is also considered.

In performing oversight of the commissary benefit and Defense Commissary Agency, the Department recognizes that some commissaries are required to be retained because of quality of life concerns or other mitigating factors. As with all commissaries, DeCA is charged to operate these commissaries as efficiently as possible. The close scrutiny has resulted in both continued availability of the benefit, and improved operating performance at the locations.

The Department is conforming with 10 U.S.C. section 2482, in considering the effect of a closure on the quality of life of Active Duty members and their dependents who use the commissary, the welfare and security of the military community in which the commissary is located, and the effect on the quality of life of the Reserve Component.

Mr. MCHUGH. General Wiedemer, the reengineering plan that DeCA has been developing involves a number of initiatives that will potentially affect a number of employees. Many employees can expect their jobs to be redesigned, or worse, relocated. On January 27, 2004, you announced that the Senior Executive Service supervisory position in the Midwest Region would be moved to the DeCA headquarters and a lower graded manager would supervise the region under the Eastern Region, effectively eliminating the Midwest Region.

- This action involved the relocation of only one job, but should we expect more announcements involving the relocation of jobs?
- In your written statement you mentioned that reengineering will allow you to respond to "competitive sourcing goals." Can you clarify what those competitive sourcing goals are and who sets them?

General WIEDEMER. Yes, we expect additional job relocations as the reengineering effort progresses. We are starting this effort by reengineering each separate business area to determine where workload must be accomplished. The goal is to determine the most efficient and effective manner to administer the commissary benefit. Our review of business areas is progressing. We expect the first decisions that may involve work relocation will be made in late 2005. We are taking a deliberative approach to this reengineering effort and are planning our actions to minimize the impact on our work force.

Pursuant to an OSD Management Initiative Decision, we are to study 50 percent of the positions identified as performing commercial activities in our FY 2000 FAIR

(Federal Activities Inventory Reform) Act inventory by the end of FY 2009. This amounts to 6,392 positions, of which DeCA has 2,820 remaining for study.

Mr. McHUGH. Secretary Abell, I understand that there is an initiative being considered within DoD to change the policy requiring that U.S.-manufactured foreign cars sold by the exchanges overseas must be at least 75 percent U.S. or Canadian parts.

- Secretary Abell, is that true? If so, what is the justification for such a decision?

Secretary ABELL. In August 2004, I submitted a letter on the Department's plans to offer a wider selection of automobiles available for sale by the Armed Services Exchanges on DoD installations outside the United States, by reducing the requirement from 75 percent U.S. or Canadian content to 55 percent U.S. or Canadian content. The proposal was motivated by a desire to enhance the quality of life of our Service members serving overseas, including those deployed in support of Operation Enduring Freedom and Operation Iraqi Freedom, by making available greater selections of popular foreign brand automobiles that are purchased from U.S. Sources.

The proposal has been withdrawn.

### QUESTIONS SUBMITTED BY MS. BORDALLO

Ms. BORDALLO. I would like to read you a letter from a constituent regarding access to the commissary at Andersen Air Force Base and hear your thoughts on the subject...

Dear Representative,

I am asking your support for the 28 contractor employees who are in jeopardy of losing Base Exchange and Commissary privileges here on Guam due to a decision by PACAF command and the base commander at Andersen AFB Guam to terminate a long standing benefit.

Even though we have long held these privileges granted under the OSSS (Operational Space Service and Support) contract and were induced to hire on here at lower wages than other comparable jobs, our co-workers in Hawaii make several dollars per hour more. This is not a temporary job; this facility has been here since the 1960's.

PACAF is not supporting Space Command (our employer) and this contract to continue granting us Base Exchange and commissary privileges. Space Command is only a tenant unit on Andersen AFB and their desire to grant us these privileges is being overruled by PACAF commanders. The substitution of monetary compensation for the lost privileges would only cost the government a lot of money when there are ample facilities available to support the benefits.

Personnel at this station and others like it outside the CONUS have been granted Base Exchange and Commissary privileges. This lowers the cost to the Air Force and it allows employees to have access to goods and services like those in the States.

We as contractors are here as permanent, not temporary, workers. We all have security clearances. There have been no problems with abuse of the privileges by our personnel. Without these privileges we will be entitled to negotiate for monetary compensation but fear that because of the cost and the tendency to use percentages we will not be adequately compensated for the lost value of the privileges. The Andersen AFB commissary did a survey and found their representative shopping list cost \$178.77 in the Commissary. The local price was \$351.69. This compensation would require an increase in the budget for Space Command under the OSSS contract. It seems ridiculous to increase the budget and pay out a lot of money to replace benefits that are of virtually no cost to PACAF and directly benefit PACAF in several ways. Profits from exchange sales go to base Morale, Welfare, and Recreation activities for military personnel. Our use of the facilities adds to the number of users who justify the continued operation of these facilities. Andersen has a replacement commissary and upgraded Exchange scheduled to be built soon; without sufficient utilization of these facilities how are they to be sustained?

Can you help persuade PACAF to continue granting all the employees at Detachment 5, 22 SOPS, Guam Base Exchange and Commissary privileges?

It seems to me that this constituent has the right idea to save the Government some money here and make sure the Commissary is fully utilized. What do you think?

General WIEDEMER. DoD has begun evaluation of policies governing commissary and exchange privileges for nonDoD Federal employees, DoD civilian employees, and Defense contractors. The review will take several months. Once the review is complete, we will advise the Armed Service committees and Delegate Bordallo of the results. As an interim measure, US Pacific Command has directed Commander, U.S. Naval Forces Marianas to restore the non-DoD federal personnel base privileges (to include commissary and exchange access) until the matter can be fully examined and resolved.





**FISCAL YEAR 2005 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON THE ADEQUACY OF THE TOTAL FORCE**

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
TOTAL FORCE SUBCOMMITTEE,  
*Washington, DC, Wednesday, March 10, 2004.*

The subcommittee met, pursuant to call, at 2:03 p.m., in room 2118, Rayburn House Office Building, Hon. John McHugh (chairman of the subcommittee) presiding.

**OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE**

Mr. MCHUGH. The subcommittee will come to order.

Let me welcome you all and state that this subcommittee has for several years now been in possession of deep concerns about the potential inadequacy of military manpower levels to meet the full range of requirements of the nation's military strategy.

Given those concerns, we have moved in each of the last 2 years, on the House side, to increase active manpower authorizations over the levels requested in the original budget.

Furthermore, we have also urged the Department of Defense and the military services to finish the numerous manpower-related studies and analyses efforts and get on with the business of implementing changes to address the shortfalls of military capability, force structure and manpower.

I guess the adage "Be careful of what you wish for" is an appropriate one today. We asked, pushed and probed DOD and the military services to begin the process of change.

And, as I think will be evidenced by the testimony we will hear today, there has been an explosion of change across the services. It is both staggering in scope and complexity given the context within which it will have to take place.

That context today, and for the foreseeable future, is that each of the military services is simultaneously being required to carry out four different missions.

First, fight the Global War on Terrorism, which in part has become a challenge to sustain, over an extended period, a deployed force in excess of 100,000 personnel.

Second, reset and reconstitute forces returning from Iraq and Afghanistan and maintain the readiness, capability and manpower to perform the full range of military functions, other than the Global War on Terrorism, required by that national military strategy.

Third, shed Cold War processes, and structure and transform itself to meet current and future requirements.

And fourth, sustain the viability of the all-volunteer total force, active, guard and reserve, in a wartime environment that portends high operations and personnel tempos for years to come.

Furthermore, in the case of two of the military services, the Navy and the Air Force, efforts are under way to reduce manpower levels.

To successfully achieve change within the isolated context of any one of the requirements that I just mentioned would present significant challenges for any service. Attempting successful change while doing all of these missions simultaneously will be an exceedingly difficult undertaking.

Indeed, the subcommittee's intent during this hearing is to examine service proposals for change and reform that impact all of these requirements.

We would want very much to assess not only what changes each service is undertaking, but how well the services are progressing.

Clearly the subcommittee is also concerned with assessing the adequacy of the current and future programmed military manpower and force structure in the total force and the ability to provide and sustain the full range of capabilities required by the national military and national security strategy.

Ultimately, the subcommittee will have to make decisions about supporting or modifying the various service and DOD manpower initiatives.

So today's hearing is an opportunity for the joint staff and the service's witnesses to convince us, to enlighten us as to why their plans make sense for improving the adequacy of our military services.

And before I introduce our first panel of very distinguished witnesses, let me yield to my partner in this process, and all processes, the gentleman from Arkansas, Dr. Snyder.

[The prepared statement of Mr. McHugh can be found in the Appendix on page 479.]

#### **STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, RANKING MEMBER, TOTAL FORCE SUBCOMMITTEE**

Dr. SNYDER. Thank you, Mr. Chairman.

Appreciate you all being here today for both panels. As you know, this has been a big issue before this committee.

And Mr. Chairman, you know, we get this memo that the committee staff puts together.

Did you write this, John? I understand you and then Debra reviewed it; I thought this was excellent.

Mr. MCHUGH. What makes you think I didn't write it? [Laughter.]

Dr. SNYDER. I thought this was an excellent piece of work here that had some clarity to it that we are not used to.

I thought it was really good. I hope you all had a chance to read it too because I thought it really put together the whole issue.

And I know John did a lot of the work, or did most of the work, and Debra reviewed it.

But I was just going to read this one issue because I think you all are familiar with the attitude of a lot of members of the committee. And this is on the third page of this.

It just says, "There is no doubt that active and Reserve component manpower is now and has been for some time inadequate to meet and sustain the full range of capabilities required of and missions assigned to the armed forces. The war in Iraq has highlighted those inadequacies."

I mean, the given, I think, for a lot of members of this committee is that things are not right now.

And so we look forward to hearing your thoughts about that perspective, but also a lot of the changes that you all are working on.

So thank you, Mr. Chairman. I look forward to the afternoon.

[The prepared statement of Dr. Snyder can be found in the Appendix on page 484.]

Mr. McHUGH. I thank the gentleman, as always, for his, not just participation, but his leadership.

And I couldn't agree more with his observation about the terrific work that the staff does in preparing for these hearings and for presenting us with the memos and background papers that help prepare us.

Let me, as I said, welcome our first panel of witnesses, the first of two. And let me introduce them as they are written here on the page. First, Lieutenant General James Cartwright, United States Marine Corps, Director of Force Structure, Resources and Assessment, J-8 of the Joint Chiefs of Staff. Welcome, General.

Lieutenant General Richard A. Cody, Deputy Chief of Staff, G-3, Headquarters, Department of the Army. General, welcome.

Lieutenant General Franklin L. Hagenbeck, Buster Hagenbeck, Deputy Chief of Staff, G-1, Headquarters, Department of the Army. Buster, welcome.

Vice Admiral Kevin P. Green, Deputy Chief of Naval Operations for Plans, Policy and Operations, Headquarters, Department of the Navy. Admiral, welcome.

And Vice Admiral Gerald Hoewing, Chief of Navy Personnel and Deputy Chief of Naval Operations for Manpower and Personnel, Headquarters, Department of the Navy. Admiral, welcome. Good to see you again.

This is the first opportunity for a number of you, in fact most of you, to testify before this committee, although I certainly have had the opportunity and the pleasure to work with a number of you in other contexts in the past.

And I want to welcome you all.

I have to say, General, a special word of welcome to a good friend and outstanding soldier, a great leader, Buster Hagenbeck.

Last time General Hagenbeck and I were together, other than his change-of-command ceremony, where he left Fort Drum, where he was the proud commander of the 10th Mountain Division, was having a cigar at K2 in Uzbekistan as he awaited such challenging assignments as Tora Bora and Operation Anaconda and others.

And good to see you again.

General HAGENBECK. Thank you, sir.



Mr. McHUGH. We thank you all, gentlemen, for your service and for the opportunity that you have provided us to be enlightened by your positions here today.

And if I may, according to the protocol that has been presented to me, General Cartwright, as the one joint staff representative, we would appreciate hearing from you here, first of all.

If you could begin, we are anxious and interested in your testimony, sir.

**STATEMENT OF LT. GEN. JAMES E. CARTWRIGHT, U.S. MARINE CORPS, DIRECTOR FOR FORCE STRUCTURE, RESOURCES AND ASSESSMENT (J8) JOINT CHIEFS OF STAFF**

General CARTWRIGHT. Thank you, Mr. Chairman and Congressman Snyder.

And we will try not to sell; we will try to inform this debate.

But along those lines, we have had considerable interaction with your staffs and with the members in trying to inform this debate. And that is what we hope to continue to do today.

As you know, our joint forces are globally engaged in the prosecution of the defense strategy and the Global War on Terrorism.

A significant number of forces remain committed to on-going operations in Iraq and Afghanistan. We still have forces in Kosovo, Bosnia and in support of the multinational forces in the Sinai. Forces are conducting forward deterrence roles in the Pacific and Europe.

Additionally, forces participate in operations in South and Central America. And we recently committed forces to a multinational effort in Haiti.

I know there is significant concern about the adequacy of the force to sustain our current level of global engagement. In sum, we think our force is adequately sized.

However, we must recognize and reorganize the force in order to mitigate risks associated with sustaining our current level of commitments over the long term. Reorganization is under way.

The modularization of the Army will increase the number of available combat brigades. The Air Force will continue to manage its rotation base through its air expeditionary force construct.

While the Marines reorganize around expeditionary strike groups, the Navy will form expeditionary strike forces to better manage the rotational base.

All of these efforts will reduce stress on our active and reserve forces and enable us to sustain global commitments.

The emergency end-strength authorizations approved by the Secretary of Defense will mitigate force management risks during our reorganization.

However, as our reorganization efforts take effect, it is unlikely these temporary end-strength authorizations will be required to sustain this global tempo.

The services are taking additional actions to reduce stress on the force. The services will realign the active and the reserve mix of the forces.

And to maximize our use of human resources, ensuring military personnel are used to perform tasks that are militarily essential,



the services will convert military positions to civil or contractor positions.

In sum, our total force is adequately sized, but we need to reorganize in order to enable the department to maintain this level of commitment over the long term.

The emergency end-strength authorizations mitigate force management risks while we complete our reorganization initiatives.

Mr. Chairman, thank you again for the opportunity and I stand ready for your questions.

[The prepared statement of General Cartwright can be found in the Appendix on page 487.]

Mr. McHUGH. Thank you, General.

I should note for the record, we have all of the gentlemen's written testimony in their entirety. And without objection, all of those will be entered in their entirety to the record.

And I appreciate, General Cartwright, your summation of your testimony and would respectfully encourage the other panelists to do the best they can, although we are most interested in all you have to say.

Our next witness is Lieutenant General Richard Cody, United States Army.

General, we are yours for the next however many minutes you take, sir.

**STATEMENT OF LT. GEN. RICHARD A. CODY, U.S. ARMY, DEPUTY CHIEF OF STAFF, G-3, HEADQUARTERS, DEPARTMENT OF THE ARMY**

General CODY. Thank you, Mr. Chairman.

Good afternoon, Congressman Snyder.

Distinguished members of the committee, we appreciate the opportunity, and it is our privilege today to appear before you to discuss the Army's plan to meet our current sustained engagements around the world, while simultaneously transforming to a more flexible, more capable and more joint expeditionary force of the future.

We know many of you have visited our deployed soldiers in Afghanistan and Iraq and we thank the members of the committee for their continued outstanding support for the men and women in uniform that make up our great Army.

The 333,000 soldiers in Iraq, Afghanistan, Korea and in another 120 countries around the world remain committed to meeting the requirements of our national security strategy.

For the past 2.5 years our Army has been decisively engaged executing the Global War on Terrorism at home and abroad. Almost every active component division has been deployed or will deploy to Operation Iraqi Freedom (OIF) or Operation Enduring Freedom (OEF) by the end of fiscal year 2004.

Our reserve component has been equally engaged with a cumulative mobilization of over 46 percent of the total Army Reserve component since September 2001.

During the current transition of our forces for Operation Iraqi Freedom and Operation Enduring Freedom, 8 of the Army's 10 active duty divisions and more than 120 Reserve component soldiers

will be moving in and out of the Central Command theater in Iraq and Afghanistan.

This massive transition of forces is the largest movement of the Army since World War II.

It has involved seamless coordination with our joint partners from the United States Air Force, the Navy and United States Marine Corps, and has optimized the capacity at our 15 Continental United States (CONUS)-based power projection platforms and our 12 power support platforms.

Our nation and our Army are at war. Our current worldwide commitments have highlighted stresses to our forces that have existed for some time.

As General Cartwright referenced in his statement, the Army has embarked on a series of initiatives to mitigate this risk through increased land power capability.

I had the opportunity to brief you, Mr. Chairman, and members of this committee in February on these initiatives.

We have detailed our programs to meet the Army's future global commitments in my formal statement for the record. And I look forward to your questions.

[The joint prepared statement of General Cody and General Hagenbeck can be found in the Appendix on page 492.]

Mr. MCHUGH. Thank you very much, General. We appreciate it.

Next, Lieutenant General Franklin Hagenbeck, United States Army?

Buster, welcome. Our attention is yours, sir.

**STATEMENT OF LT. GEN. FRANKLIN L. HAGENBECK, U.S.  
ARMY, DEPUTY CHIEF OF STAFF, G-1**

General HAGENBECK. Thank you, Mr. Chairman. And thank you for those kind words of introduction.

Mr. Snyder and distinguished members of the committee, thank you for the opportunity to appear before you today to discuss our manning strategy to meet current and future commitments.

Current historical events have accelerated the Chief of Staff of the Army's initiatives to transform the Army.

And from a manning perspective, we will transform with three initiatives: rebalancing, stabilization and conversion.

Efforts to transform the Army through rebalancing our active and reserve components, stabilization of our active duty forces and converting civilian spaces to allow more soldiers to forward deploy units makes our Army more relevant and ready to operate in a joint expeditionary environment, and prepares us for future contingencies.

Finally, as you know, the Army's goal is to temporarily increase our active duty strength by 30,000 soldiers.

And we will accomplish this by increasing our recruiting and retention levels to maintain our quality force. However, to achieve the required temporary increase, the Army will continue to need broad incentive packages to shape our force.

The soldier is our most critical asset. And our success as an Army and a nation depends on your continued support.

So once again, thank you for the opportunity to appear before you today and I look forward to answering your questions.

[The joint prepared statement of General Hagenbeck and General Cody can be found in the Appendix on page 492.]

Mr. MCHUGH. Thank you, General.

Next, Vice Admiral Kevin P. Green, United States Navy? Admiral, welcome.

**STATEMENT OF VICE ADM. KEVIN P. GREEN, U.S. NAVY, DEPUTY CHIEF OF NAVAL OPERATIONS FOR PLANS, POLICY AND OPERATIONS**

Admiral GREEN. Thank you, Mr. Chairman.

Mr. Snyder, distinguished members of the committee, it is truly an honor and a personal pleasure to be here before you today.

And I am pleased to support that our Navy is performing superbly in support of Operation Iraqi Freedom and in our other commitments in operations around the world.

Mr. Chairman, the Global War on Terrorism requires this nation to have a naval force that is more ready and more responsive.

We can no longer rely upon our past focus of rigid rotational deployments and lead to the presence based on days in theater. Instead, the naval force of today must be both forward where necessary, as well as capable of surging substantial forces anywhere in the world on short notice.

This can only be accomplished with a complete transformation of our readiness process.

As we meet here this afternoon, our Navy is forward deployed with 84 ships underway, including 2 carrier strike groups, 2 expeditionary strike groups, 1 surface action group and 29 ships homeported overseas and forward deployed.

Additionally, there are 66 ships and submarines underway conducting homeland security missions, counter-drug patrols, goodwill visits, multinational exercises and predeployment training.

This level of effort is vital to sustaining the war on terrorism, assuring friends and allies and leading the nation's global response to crisis.

This current level of readiness cannot be sustained without the implementation of the fleet response plan (FRP).

The fleet response plan is one of our most important transformational programs, based upon our belief that in order to defeat the threats of today we must place a premium on ready, flexible forces able to pulse rapidly either to augment forward-deployed forces or respond to crisis in remote and widely separated locations.

In doing so, we must adjust the way the fleet is manned, maintained, trained and sustained. In order to transform the fleet, we have affected two significant changes.

First, the Navy has created a culture of readiness.

No longer is the Navy focused solely upon the months leading up to a deployment. Instead, all our maintenance, training and manning is focused upon attaining surge capability.

Second, we need to establish new readiness and surge thresholds. These thresholds have now been established.

As implemented, the fleet response plan now resets the force in a way that will allow us to surge about 50 percent more combat power on short notice, and at the same time potentially reduce some of the personnel strain of forward rotations.



The FRP fundamentally changes the way we operate our fleet and, when coupled with our strategy to recruit, develop and retain the most highly skilled and educated personnel, will continue to ensure our Navy is the most capable and flexible fighting force in the world.

Further, our efforts to rebalance the active and reserve components is providing us the necessary forces to react to any crisis without the need for immediate reserve mobilization and providing our leadership with increased options in the execution of our national security strategy.

Mr. Chairman, I stand ready and pleased to try to answer your questions. Thank you for this opportunity.

[The prepared statement of Admiral Green can be found in the Appendix on page 519.]

Mr. McHUGH. Thank you, sir.

Our next presenter is Vice Admiral Gerald Hoewing, United States Navy, Chief of Naval Personnel and Deputy Chief of Naval Operations for Manpower and Personnel.

Admiral, it is good to see you again.

**STATEMENT OF VICE ADM. GERALD L. HOEWING, U.S. NAVY,  
CHIEF OF NAVAL PERSONNEL AND DEPUTY CHIEF OF  
NAVAL OPERATIONS FOR MANPOWER AND PERSONNEL**

Admiral HOEWING. Mr. Chairman, Congressman Snyder and distinguished members of the subcommittee, once again, it is an honor to be here to have the opportunity to discuss the adequacy of the Navy's total force with you today.

And particularly on behalf of all those exceptional men and women out there, I would like to thank you all for the wonderful support that you have provided them that gives them the quality of life, the quality of service and the opportunity to serve in our Navy today.

I am going to shorten to the issues today, and that is, I want you to know that we have higher-quality recruits than we have had in recent years coming into the Navy.

We have historic high reenlistment rates. We have innovative incentive programs that are largely, in fact, totally the result of members of this Congress. Our attrition is the lowest we have seen in many, many years.

And we have outstanding leadership out there. And as a result of that, our fleet is more capable and talented today than we have seen in many, many years.

How are we doing that? We are investing in technology. We are developing affordable, next-generation ships, aircraft and submarines.

And these platforms are being designed so that they maximize the performance of our sailors, while reducing the number of sailors on those platforms in order to complete the missions.

And as these new platforms are being developed, we are decommissioning the older, legacy platforms that are burdened with manpower intensive systems.

The result, then, is a more capable Navy comprised of fewer but more talented people. And that is why we are confident in propos-



ing for fiscal year 2005 an end-strength reduction of 7,900 active personnel.

Our approach to doing this is built on three mutually supportive tasks.

First, we are determining the true manpower requirements.

We are assessing the relevance of every task that is taking place out there, and determining if that task can better be done by an active, reserve, civilian person; a total force approach.

And we are identifying those positions that are no longer relevant because of the technology investments and because of the organizational and operational changes, some of which Admiral Green has already mentioned.

Second, we are shaping the force to better meet those requirements.

Last year we launched a new program called "Perform to Serve" that has already resulted in the conversion of nearly 2,500 sailors from overmanned skill sets into undermanned skill sets.

We also continue to refine our Selective Reenlistment Bonus program which is extremely important as we shape in very narrowly around those skill sets that are the most difficult to retain and have the most technical education and learning in order to prepare.

And we would also like to thank you for the assignment incentive pay initiative that you allowed us to demonstrate this year where we literally have hundreds of sailors taking orders to critical billets where we need them the most.

Third, we are continuing the development of our human capital management system called Sea Warrior.

And it integrates the functions of manpower, personnel and training, puts them all together so that we can link force-shaping, end-strength management and work force development tools all at the same time.

So, Mr. Chairman, in conclusion, let me thank you and the committee once again for your extraordinary support of our men and women in uniform.

And your support and guidance will continue to maintain that high quality and prepare us to meet the challenges of this century. Thank you, sir.

[The prepared statement of Admiral Hoewing can be found in the Appendix on page 503.]

Mr. MCHUGH. Thank you very much, Admiral.

Thank you all.

Let me just ask one general question of the Army and then I am going to yield to my colleagues. We have a turnout here today and I want to make sure they have an opportunity to ask their questions.

A lot of talk about 30,000 men and women in uniform; it is the number that has been appended to the added brigades in the new formulation.

It is the number that both the Senate has proposed in a Senator Reed-Senator Hagel bill that Secretary Rumsfeld addressed in a press conference, I believe, yesterday.

It is the number that some of our House colleagues have suggested in a different time frame. And it is the number that has

been authorized for a temporary expansion by the Secretary of Defense.

Can we make the assumption that, if directed to do so, the Army could increase its end-strength number by 30,000 in a single year?

And if not, what is the practical number? But if you were challenged to maximize the number of new men and women in the end-strength formula, what is the reasonable, maximum amount you could add in a single year, General Cody or General Hagenbeck?

General CODY. Let me take the first swing at it while Buster collects his thoughts.

As you know, we think that from this year out to 2007, we can grow the Army by 30,000.

Sir, we think we can do that by increasing our accessions growth from 74,000 a year that we recruit now, up to 80,000 and retention grows about 7,000 over 2005 and 2006.

So we would attack it from accessions as well as increasing our retention.

As you know, right now we have stop-loss in effect. And we are about 10,000 soldiers above the National Defense Appropriation Act of 482,400.

And so our strategy is; lead with about 5,000 to 6,000 to 7,000 a year for the next 4 years in accessions, 2 years worth of retention growth of about 7,000 and we think that is how we can grow the Army.

When you take a look at our training base, as well as the number of brigades and divisions we have in combat or redeploying, we think we can handle that.

Buster.

General HAGENBECK. I would just underscore that the numbers, obviously, we agree upon.

Anything more than 5,000 or 6,000 additional accessions per year will cost significant amounts of money to expand our training bases at a variety of locations.

Mr. MCHUGH. Thank you.

And General Cody gave an excellent briefing, that he mentioned just a few weeks ago on the new plan to do the modular brigades and to add 10 brigades. But we are talking about three brigades in the first wave.

Is that correct?

General CODY. Yes, sir. What we plan on, we are building the 4th Brigade of the 3rd Infantry Division right now.

We plan on building two more brigades this year, by the end of fourth quarter this year. And they will be in the 101st and the 10th Mountain Division.

And then the following year, we have three more brigades followed by four more brigades in 2006. And then we will make a decision. That will get us the 10 brigades.

And then we will make a decision in 2006 and have to report back to Office of the Secretary of Defense (OSD) as to whether the 30,000 that built the first 10 brigades, whether we can restructure our Army in such a way to start letting that 30,000 growth come back down, or we can continue to build the last five brigades.

That is the strategy right now, sir.

Mr. McHUGH. A question on fiscal year 2005: adding the three brigades, what is the current estimate of that cost?

And what are the components of that cost, Operation and Maintenance (O&M), personnel, et cetera?

General CODY. We think it is about \$2.9 billion in fiscal year 2005. Some of that is residual because we are starting late and it's residual personnel costs from 2004.

But that is about \$570 million for manning, about \$2 billion for equipping, because the first brigade that we build is an armor brigade, so there is more equipping there, and then about \$106 million for the training and about \$85 million for facilities.

And then the additional operational and support costs are about \$157 million. So it comes just shy of \$3 billion for 2005, sir.

Mr. McHUGH. Thank you very much.

Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman.

Thank you, gentlemen, for your statements and your testimony.

General Cartwright, you heard me read Mr. Chapla's statement about the inadequacy of the forces. And in your written statement, you specifically say, "Our forces are adequately sized."

When you make that statement, "our forces are adequately sized," does that include approximately 36,000 troops that are above the current authorized end-strength? Is that how we reach a definition of adequacy?

General CARTWRIGHT. There are two components there. There is the force that we have and then the delta that is greater than the end-strength of 30-some thousand that you are referring to.

In my reference, the question of the additional strength is one of the rate at which you want to be able to transform.

And in this case, the Army looked at what it would take in order to transform as quickly as possible, because that relieves the stress as quickly as possible. They came up with a number of about 30,000.

In the case of the Air Force in particular, their number was a direct result of what it took in order to accomplish the war fight. So a different approach to the number that is a delta above.

Their number was between 16,000 and 19,000 at different points in time.

Each of the services took a different approach to what that delta was, so one characterization is not probably adequate.

But clearly it took that additional force to affect this conflict and to get the transformation going as quickly as possible.

Dr. SNYDER. So we are all in agreement then that the statutory end-strength number, that actual number of people, is not adequate.

General CARTWRIGHT. As a characterization of that number, which is one day, one snapshot out of the year—

Dr. SNYDER. Well, no, the end-strength number is not a snapshot. That is written in statute. It is a—

General CARTWRIGHT. That is correct, for the last day of the fiscal year.

Dr. SNYDER. It is a number. So as far as this day right now, that number is not adequate because your definition of adequacy is



what each service has done through the emergency measures to go beyond that.

General CARTWRIGHT. I think that each of the services would tell you that if they were asked to do it without those additional end-strengths, with the emergency authorities, that they could accomplish their mission.

Dr. SNYDER. That they could?

General CARTWRIGHT. They could.

Dr. SNYDER. Well now, what you are telling me is, it is adequate with 36,000 and it is adequate without 36,000.

General CARTWRIGHT. Again, the question that you have to ask is, at the rate at which you want to accomplish change, what day do you want to measure that on for the statutory piece, and then what is necessary to accomplish the mission?

I think that the services will tell you that they could have accomplished the mission at the end-strength caps. But we had the emergency authority that allowed us to grow.

And where it was necessary and where we wanted to target that growth, the services did that.

Dr. SNYDER. Well, I guess I won't pursue that. But on what did you base this definition of adequacy? And I think that was kind of a confusing answer.

General Cody, on the stop-loss issue, when we hear the numbers, which I think a lot of both the press and the members have followed, retention and recruitment, but when we follow the retention numbers and we think retention is pretty good, does that include stop-loss?

Do the retention reports include the stop-loss numbers?

General CODY. Sir, let me pass that to General Hagenbeck, he keeps those figures.

Dr. SNYDER. Okay, yes. I am sorry; I should address that to you, General.

General HAGENBECK. Sir, there are two different accounting methods.

And one, obviously, is the retention across the active components and the reserve components and that is one piece of it. And embedded in that, obviously is a part of the stop-loss numbers.

As you well know, we had stop-loss that began during Operation Iraqi Freedom I (OIF). It came off last May and we reinstated it in October.

The primary purpose for the reinstitution the second time and why we looked potentially in the future to have focused or limited stop-losses is not directly linked to our total number or end-strength at this juncture.

It is toward the focus that our chief has directed for unit stabilization and unit-focused training. That is to build teams for a period of time for deployment into a combat theory. They go as a team and come back together.

So until we reach the steady state that General Cody has addressed through these initiatives of our chief, we are going to have to look at some of the stop-losses on a very small scale.

And I am sure you got those numbers.

Since 9/11, the total number has just exceeded 44,000 on stop-loss at any given time. That is about 11 percent or so of all of the



forces that we have had activated or mobilized, plus our active duty over time.

Dr. SNYDER. I understand all of that.

It is just that, you know, when I ask somebody about retention and they say, "So far, our numbers look good," which is what I am being reported, is that accurate? But it does include stop-loss, which is—

General HAGENBECK. Yes, sir, but it doesn't include the aggregate necessarily, because everyone that is stop-lossed, it could mean that they were getting ready to retire or to leave the service.

And our numbers historically have been one-third of those individuals that are in that category, when they come off of that, reenlist.

And so, the snapshot in and of itself doesn't tell the whole story.

Dr. SNYDER. I got you.

Thank you, Mr. Chairman.

Mr. MCHUGH. Thank the gentleman.

Next I am pleased to yield to the gentleman from New Jersey, chairman of the Armed Services Subcommittee on Terrorism and Unconventional Warfare, Mr. Saxton.

Mr. SAXTON. It is a big title. [Laughter.]

General Cartwright, I will ask you this question that you may want to refer to General Cody.

Some time ago I got interested in the subject of transformation, and I find it quite intriguing. And I have had conversations with the Secretary of Defense about it and with the chief.

And I didn't realize what a huge and complicated undertaking it is to make the kinds of changes you are making. And I have the utmost hope that everything will work out as intended.

I was reminded by a friend of mine this morning that in important jobs like this failure is not an option. And I know that you know that.

There are several points of discussion as to the size of the brigade combat teams and the makeup of them and the way they will end up operating. And let me just throw out this question.

It is contended by some that in order to have effective brigade combat teams, we need on average 5,000 people.

Why is that wrong? Why is that not so?

General CARTWRIGHT. I will allow the Army to take on the issue of the individual number, but from a standpoint of this transformation activity, and how to go at a question like that, one of the things that all of the services, and certainly from a joint perspective, is an approach that deals in this capabilities-based activity.

And we never walk away from the fact that there is threat-based planning; we have to do that. There is also what you all have to do, which is matching the resources to the requirements on the dollar-side of that equation.

And then there is this capabilities-based planning that basically accepts the fact that you don't necessarily know what tomorrow is going to bring, that there isn't just one threat out there that you can point at and then structure yourself and either anticipate their move or react to it.

And so the force has to be broadened in its skill set to ensure that we don't run into an issue of an item of regret that this nation can't stand.

And so it means that we have to broaden out the capabilities and skill sets of the force in general, A.

And B, it also means that there is not just one enemy.

So in the case of a carrier that leaves port, it has to be able to turn left or right and be able to perform either way it goes. It has to be the same for the modularity construct for the Army.

And so, in doing that, the services are looking at: "What do I need to do to increase the potency of that force when I deploy it, to increase the options for the nations because I don't necessarily know what I am going to go up against both tomorrow and in 10 years into our future?"

And so, when we start to look at the specific number, particularly from the joint perspective, we allow the services to get to that detail, but what we are looking for and how we grade their homework is: what is the broadness of that capability that you are going to field?

And what is the usability of it?

And I will turn it over to the Army at that point.

General CODY. We have trained you well. [Laughter.]

Thank you, sir, for that question.

We have heard that criticism.

And in fact, we have embarked upon going more modular and taking our seven brigade designs that we have currently in the Army and going to a Stryker brigade design, an infantry brigade design and an armor model design.

So we are going from seven to three to give us more of that modularity for that joint expeditionary piece that we have to get to.

So we built our models around getting the best and the brightest critics, guys who think we ought to have 5,000-man brigades. We have some people in academia.

We went down to our division commanders and our brigade commanders and battalion commanders that have been fighting this war in Afghanistan and Iraq, and we went to the other think tanks.

And what our modeling has shown us is about the right size for an armor brigade is about 3,800 people. And what we did was we said, "Okay, what should those battalions inside there look like?"

Right now our battalions inside our mechanized and armor formations are three companies. That is what we had prior to the war.

We are resetting the 3rd Infantry Division in an armor brigade design where each battalion has four companies.

And then to leverage the joint in expeditionary joint forces, because we know this brigade will never fight by itself, we said, "What is more important to us, rather than having a third maneuver battalion?" What is more important is to have a reconnaissance-surveillance-target acquisition squadron.

We learned that from Stryker.

And so that is a maneuver unit that has three maneuver troops in it. And that will leverage all of the forces that we have that we embed inside that brigade as well as all of the joint forces.

We have modeled this very carefully, and we have come up with what we think is really the right design. It is about 3,800 for an armor unit. And for an infantry unit, it is about 3,300 soldiers.

What this really does for us, though, is it enables us to take what used to be in the divisions and echelon-above division, and it allows us to restructure the combat service support and combat support elements so that we can sustain these forces across the battlefield and have a much more modular piece to it.

One example I will give you. Right now, we have the 82nd Airborne Division in the western corridor. General Chuck Swannack commands that division. It is a light division.

He has one light brigade from his organization. He has a brigade of heavy from Fort Riley, Kansas, out of 1st Infantry Division. And then he has the huge 3rd Armored Cavalry Regiment out of Fort Carson.

Our combat service support structure across our Army has never been sized for that type of modularity. And so that is why we have gone back and said, "We will build a modular brigade combat team."

Now, when we do this, if we put a new brigade combat team out there and we decide that we need more combat force, because it is so modular and because we designed the combat service support structure to handle it, we can plug in another battalion very easily.

And now you move that unit up to 4,800.

So the modularity allows you to plug and play and give you more force adaptability.

Mr. SAXTON. And just my position sitting here, I buy into what you say about the modularity and the opportunity to structure the force you need for whatever fight it is.

You said one thing that I am curious about.

It is my understanding that the brigade combat teams are being structured so they can fight alone. And you just said that the armored brigade would never fight alone, I think. I think that is what I heard you say.

General CODY. Always fight as part of a joint force.

In other words, I can think of very few scenarios where we would put down an Army brigade without having our friends from the Marines, the Air Force and the Navy providing Intelligence Surveillance and Reconnaissance (ISR) assets, joint force assets and other combat power.

And so when we built the risk to squadron, each one of them, it is designed to leverage that, and our forces effect cells inside that are designed to leverage that.

Mr. SAXTON. There may be a semantic difference, but in previous briefings and hearings that we have had, we have been briefed that in fact these brigade combat teams are being structured so they can go fight alone.

And I may have misunderstood somewhere along the line.

General CODY. What that means sir, right now, what we have to do is, if we send them out there, like when we sent the 3rd Brigade and the 101st when I was a Commanding General (CG) there and



gave it to Buster, we had to take elements of the divisions, other combat support and combat service support battalions, and plug them into that brigade to make it robust enough to sustain itself.

Our design now designs it around that, and we take the best sustainable combat support and combat service support and embed it inside that brigade combat team. So that is what makes it self-sustainable from the Army perspective.

Mr. SAXTON. Okay, so the plan is not necessarily to have a brigade that is always together, but depending on where they are going, and what they are going to do, and what their mission is, components would be plugged in, as you put it, or added to the brigade combat team in order to carry out whatever function to reach whatever goal we want them to reach.

General CODY. No, sir. The brigades that we are building right now in the 3rd Infantry Division will absolutely have the Military Police (MP)s, the signal, the fire support, the intelligence, all of that embedded inside of that brigade in support of the two maneuver brigades and reconnaissance squadron.

It will all be one entity.

And that is what makes it self-sustaining. It will not require a division base to sustain it. Very similar to what we did with the Stryker brigades, sir.

Mr. SAXTON. And, Mr. Chairman, if I may just indulge you for one more minute, now the combat brigade teams will be part and parcel of a division.

What will be the relationship between the division headquarters and the brigade combat teams?

General CODY. The division headquarters as we build them into a joint task force-capable headquarters.

And as we build these brigade combat teams, the flag of the divisions, the 10 divisions, become less important, but what becomes more important is the brigade combat teams.

So it will be a command-and-control headquarters that fights the tactical and operational portion of the fight.

We can take brigade combat teams from any one of the divisions, and put it under any one of these division headquarters.

They will have a joint capability as well as the capability of commanding and controlling in combat up to five to six of these brigade combat teams.

Mr. SAXTON. Thank you, Mr. Chairman. I have no further questions at this time.

Thank you, General Cody.

Mr. MCHUGH. Thank the gentleman.

The gentlelady from California, Ms. Sanchez?

Ms. SANCHEZ. Thank you, Mr. Chairman.

And thank you, gentlemen, for being before us today to testify.

I have a question with respect to some of the events that have been taking place in Iraq, in particular the ones that involve Iraqi civilians. We saw one, for example, that took 180 lives which was just last week.

And on February 1st, we saw another with the Kurds in Irbil, which killed 109 people. And it makes me think about the escalating sectarianism that is going on out there in Iraq.



And then I read these press reports that talk about how our intelligence agencies and our intelligence community here in the United States sees a danger, or signs, pointing toward a real possibility of civil war in Iraq within the next six months.

So my question has to do with how prepared we are for that particular scenario. Are we postured to meet that contingency or would it require additional United States troop deployment?

Do you have plans for contingency if Iraq does go into a civil war situation? I mean, how we are going to handle that with respect to troop strength?

How would the Army, in particular, meet contingencies that called for substantial force increases in Iraq in the next six months?

Is there a rapid augmentation plan for the troops that we already have there?

And I guess I would start with, you know, what units do we have ready to go in case we do get ourselves into a civil war situation in Iraq?

General CARTWRIGHT. I will go ahead and start and then let others join in.

First, given the level of this hearing, probably going down to the unit level and discussion of plans is somewhat problematic.

But it is fair to characterize the activity out there as there as a window coming with the constitutional change in the end of June and early July that certainly we are watching carefully.

And we believe, as I think you heard from General Abizaid when he was here, that we have the right force in place to handle the foreseeable contingencies that we think are plausible.

We also—

Ms. SANCHEZ. Is one of those contingencies that you think are plausible a civil war situation?

General CARTWRIGHT. There is certainly one that would address the fact that there could be a substantial amount of chaos, that there could be conflict between different tribes or different sects within the country.

And, yes, we are watching very carefully both from the—

Ms. SANCHEZ. Talk to me about where your troops are coming from, what you are thinking of if that happens. That is really the basis of my question.

General CARTWRIGHT. Again, I would be happy to sit down and go to detail with you in another forum, but to talk specific units that are associated with the contingency would not be appropriate here.

But we are happy to stay later and have a different session on that and get the right people up here to talk from that perspective.

Ms. SANCHEZ. So are you telling me, okay, if you can't talk specific units and who is going in, if we have a scenario like that that we have the men and women power right now to be able to handle that situation?

General CARTWRIGHT. Yes. We have that in our capability.

Ms. SANCHEZ. Do you foresee, if there were a situation like that, of needing more troops than the troops that we have already in Iraq?

General CARTWRIGHT. We will leave that to the operational commander. If he requested more forces, we would provide more forces.

Ms. SANCHEZ. And you believe that you have them?

General CARTWRIGHT. Yes.

Ms. SANCHEZ. Okay.

This one, Mr. Chairman, if you will indulge me a little bit is a little off of this, but I want to take advantage of the fact that—is it Lieutenant General Hagenbeck?

General HAGENBECK. Yes, madam.

Ms. SANCHEZ. Did you, in the past, just recent past, command the 10th out in Afghanistan?

General HAGENBECK. Yes, I did. [Laughter.]

Ms. SANCHEZ. Well, Mr. Chairman. You know, we are reading a lot and we are seeing a lot, and as the ranking woman on the committee for HASC, I have seen a lot in the newspapers and dealing a lot with the issue of sexual assaults out in theater.

So my question to you, as a commander out in one of those theaters, is can you walk me through what happens when a woman is raped in that situation and a situation out there? And what do we have in support?

Because I can't seem to get it out of others who really don't know what is going on on the ground. So I am hoping you can enlighten me about what is the process you think is in place out there as a commanding officer.

General HAGENBECK. Well, I can speak from the Army perspective. And I would also say that during my tenure, I was never apprised of any such situations that arose in Afghanistan.

Ms. SANCHEZ. How long were you there in Afghanistan?

General HAGENBECK. Initially, I was there for 11 months and then I went back this past summer for three more months; so a 14-month period of time.

Ms. SANCHEZ. So in a 14-month period of time, you never had one of these sexual assaults occur out there in Afghanistan?

General HAGENBECK. Not that was brought to my attention.

We had some sexual misconduct incidents that arose, which resulted in appropriate justice brought to bear, but not any rapes that were—

Ms. SANCHEZ. So as the commanding officer, what do you assume sits out there in Afghanistan for a woman who had been raped out there in the theater?

General HAGENBECK. Well, first of all, for soldiers, Army soldiers, we have an educational program that begins at basic training and goes through all the way to unit level which talks about and teaches from sexual harassment and touches on, obviously, sexual assault, which is a criminal offense, and outlines to all of our soldiers what legal steps can be taken upon one of these incidents being reported.

With regard to programs that are on our installations in the Army, as well as what is in the field environment, we do have individuals that are there to receive reports from any victims.

And it ranks all the way from through the chain of command through our chaplains through our Equal Opportunity (EO) representatives and others.

And once those reports are made, then it goes in the legal channels, as I said, because it is a criminal offense.

For the victims, for victim advocacy, we have folks both from the medical side of the house as well as victims' liaison officers that are tied in with our surgeon general to provide those services available to the females.

Ms. SANCHEZ. So they find a woman in the service who gets raped by a fellow service member, you have there in the immediate theater an evacuation to support hospital, emergency care, rape kit examination available, rape trauma counseling, police there to take my statements.

What do you have on the ground out there, in your opinion, as a commanding officer?

General HAGENBECK. Well, I think that we have most of those things but not all.

We have an ongoing task force looking right now with the first briefing coming back to me tomorrow overseeing a part of this task force on sexual assault.

This is a part of the DOD effort to find out where are the seams, if you will, in our program, and what is on the ground that we did or did not deploy into theater.

Ms. SANCHEZ. So what did you think about what you had and didn't have in Afghanistan? I mean, again, you are somebody who has been out there. You have been in charge.

What do you think you really have on the ground?

You just told me, "We have some of that; we don't have some of that." Do you know?

General HAGENBECK. I know what we had when I was there.

Ms. SANCHEZ. What did you have?

General HAGENBECK. We had all of those less some of the counselors in the medical facilities at the hospitals on the ground in Bagram.

If you recall now, when I was there, it was an extraordinarily austere environment and remains one, as you know. So we had medical evacuation procedures which could take victims back.

But I am talking hypothetically here, as I said, because we did not execute any of those medical evacuation procedures from that time frame.

But where we did take soldiers that were wounded or that we would have taken victims as well for additional assets that would be available from a counselor or medical treatment would be back into the European theater.

Ms. SANCHEZ. In the European theater?

General HAGENBECK. Yes.

Ms. SANCHEZ. So you don't have them in the Afghani theater for—

General HAGENBECK. We did not during my tenure, no.

Ms. SANCHEZ. Thank you, Mr. Chairman.

Thank you, gentlemen.

Mr. McHUGH. Thank the gentlelady.

And I thank, General Hagenbeck, for responding in areas somewhat afield, but I know the gentlelady is very impassioned about this, and I think all of us are on this subcommittee is with our involvement in some of the sexual abuse cases, particularly with the Air Force Academy, but it is not systemic, endemic only to the Air Force, it is our concern as well.



So thank you, General Hagenbeck, for your responsiveness there.  
General HAGENBECK. Sure.

Mr. MCHUGH. Next we have the gentleman from Virginia, Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman.

And thank you all for being here today.

It is good to see General Hagenbeck again. The last time was K2 or Bagram?

General HAGENBECK. Bagram.

Mr. SCHROCK. It was Bagram.

He was doing a great job then and he continues to. Except this time he gets shot at in the Pentagon but doesn't get a purple heart for it.

So we are glad to have you back home.

I have been following closely the efforts of all of the services to transform your forces, both active and reserve, to better meet the demands of the Global War on Terror and, of course, to operationalize the lessons learned over the past three years.

The Chief of Naval Operations (CNO), as you might have read, recently said to his flag community that if they didn't learn to run their portions of the Navy more like a business their flag careers would be pretty short lived.

I really support this approach, and I believe his sentiment conveys the new way of thinking that reflects how these times have changed.

And I commend all of you for taking on a very difficult task of simultaneously fighting this war on terror and transforming your forces and, of course, carrying an all-volunteer force.

And I recognize that, taken together, this is a daunting challenge.

I believe you are moving in the right direction. I hope the dialogue we are having today helps this committee and this Congress support those goals.

That being said, I have a question for everyone.

Have the individual services been assured that money saved through shedding excess capabilities, personnel and structure will be kept within your services to pay for so many needed programs in modernization?

Is uncertainty with regard to this a disincentive for making sacrifices and enduring painful changes?

I believe it was Admiral Green mentioned that Navy personnel will shrink over the next few months by 7,900 people. That is an amazing savings and will that stay within the Navy or go someplace else?

That is a real concern to me.

General CARTWRIGHT. I would kick it off from the joint perspective, since we don't have any money.

But I think that, one, it is absolutely essential, whether you think of it from a business perspective or any other way, to incentivize people to make change and to keep up with the change of the world, as we see it.

They have to have an incentive to do that.

If you go out and make painful change, and generally there are going to be people pained by any kind of change, and then you fur-



ther disincentivize it by taking the fruits of that pain and giving it to someone else, that doesn't generally incentivize you to come back and make the additional change that you need in your community.

So absolutely critical to any of the change that the department sees under the guise of transformation is the idea that if you go in and look at your force and decide how you want to construct it and what things need to be incentivized and what things you need to start to step away from or moderate, you need to be able to keep the capital that you generate by those changes.

And that has to be an underpinning. If it is not, you just will not get the change necessary from the institution.

And from a business perspective, you have to have that incentive.

And I will turn it over to Navy.

Mr. SCHROCK. You didn't say yes, but I am assuming that is a yes.

General CARTWRIGHT. That is a yes. [Laughter.]

Mr. SCHROCK. Okay.

Admiral Green.

Admiral GREEN. Sir, when we look at recapitalization requirements, the incentive is there regardless of what decisions we make with regard to end-strength numbers.

The fact of the matter is we have to recapitalize my service in order to carry out the operational missions we expect to be assigned to us in the years to come.

On the personnel side, which I will turn over the Admiral Huly in just a second, the incentive to change in a way that we train, assign, recruit and so forth is based on our imperative to put the right people in the right jobs at the right time and in the right numbers.

Putting all of that together, certainly the financial incentives are apparent. But as the operator for the Navy, my focus is really on the operational side and our continuing ability to carry out our missions.

That is central to what we are doing.

Mr. SCHROCK. I think a lot of folks who are questioning why the Navy was decommissioning the Spruance class so early. And clearly, I understood it because the money saved can go into Littoral Combat Ship (LCS), DD(X) and others.

General HULY. Yes, sir, that is part of the reason. There are other parts as well that have to do with Operations and Maintenance (O&M) funding and the requirement to carry out the missions assigned to us.

We can do that with the units that we have in the inventory right now. And our ability to be able, again, to carry out those future missions is based on our ability to recapitalize appropriately.

Mr. SCHROCK. Admiral Hoewing.

Admiral HOEWING. And it has been covered very well, sir, but I just want to add that when we say that we are reducing 7,900 personnel in fiscal year 2005, what has happened is because of the changes that have taken place and the changes that we have planned, the requirement for those people will go away.

The ships are either being decommissioned, the requirement is no longer there and we are capitalizing on that. And one of the benefits of that is that those dollars be reinvested to sustain the transformation that we need in the future.

So the whole idea here is that it is not more work on fewer sailors' backs; that work is being eliminated.

Mr. SCHROCK. As I understand too, the LCS will take this many crew members where the Spruance had this many crew members.

And I think that makes about—

Admiral HOEWING. Less than one-third, yes, sir.

Mr. SCHROCK. Right.

General Cody.

General CODY. Well, I would agree with General Cartwright.

In fact, the decision to cancel the Comanche program, a \$14.6 billion program, when we went forward to brief the joint staff and then the Secretary of Defense, it was clear to us that they understood what a vital change we were taking in terms of our modularity, and why it made sense to cancel Comanche and reinvest in 900 more helicopters and restructure our Army aviation programs.

And the directive was, "All of this money that you saved from that has to be redirected."

And so we feel very confident that, as we look for efficiencies, and as we look to better ourselves, better our service, that the incentive is there for us to take that money and reprogram it and like we did with the budget on the Comanche.

Mr. SCHROCK. That certainly makes the incentive a lot more—

General CODY. Absolutely.

Mr. SCHROCK. Thank you very much, Mr. Chairman.

Mr. MCHUGH. Thank the gentleman.

The gentlelady from Guam, Ms. Bordallo.

Ms. BORDALLO. Thank you. Thank you very much, Mr. Chairman.

And thank you, all the witnesses, for testifying this afternoon.

My question is directed to General Cody and Hagenbeck and Admiral Green and Hoewing.

Both of your services are proposing to continue converting military to civilian positions. Such conversion actually requires, in my opinion, significant up-front costs.

Does the fiscal year 2005 budget include the funding necessary to conduct the proposed conversions?

Or is this cost expected to be a war-related cost to be included in the supplemental?

General CARTWRIGHT. I will certainly kick it off even though you didn't ask me and then let them pick up.

But there is \$572 million in the fiscal year budget—

Ms. BORDALLO. In the budget.

General CARTWRIGHT [continuing]. For mil-to-civ conversions.

Now, that does not anticipate that it is a one-for-one conversion. I think when the services explain their positions, they will lay out for you that in some cases it is one to one. Other cases, they get very good benefits: three or four military people may be put into military skills and one civilian or technology or a combination of the two could replace a contractor.

But I will turn that part over to the services.

General CODY. I guess we will go first.

One, we have it in the budget for 2004, but not 2005.

And part of our plan in 2006 to make the decision on whether we stay at that 30,000 increase in force structure which is based upon 15,000 military-to-civilian conversions. And that comes out to about \$4.1 billion over that time for the mil-to-civ conversion.

We have run the numbers for, kind of, rough order of magnitude.

It is about \$75,000 mil pay for military person and roughly about \$72,000 for civilian, depending upon what it is. And so we have to go in the supplemental.

Ms. BORDALLO. You will be in the supplemental?

General CODY. Yes, madam.

Buster.

General HAGENBECK. Nothing to add, madam.

Ms. BORDALLO. All right.

Admiral.

Admiral HOEWING. In the Navy we are proposing somewhere around 1,700 military-to-civilian conversions, most of these conversions are in the medical communities.

The funding for the civilian personnel is in the fiscal year 2005 budget.

One of our challenges will be that, as you convert those military billets into the civilian work force, those military people; we have to have a process to reinvest them.

We have to either be able to move them into other valid positions or we need force-shaping tools that would give us the opportunity to, let's say, take that medical specialists, whatever that specialty is, and they become the civilian.

If that is the case, then we are fully funded in order to be able to execute that.

Ms. BORDALLO. All right.

I have one other question. The Army is using the Marines' emergency authority to exceed all end-strength limits. And this authority must be extended yearly by the President based on the security of our country.

What would happen to the Army's transformation plans and current mission requirements if this authority is not extended to you?

And I guess that would be Generals Cody and Hagenbeck.

General CODY. Thank you, madam.

When we brought forward the plan to the secretary of defense and then to the President, we said, "We don't want to reset our Army back to the Cold War mass that we have like we are bringing back these four and one-third divisions right now."

We ought to reset them to where we want to be.

At the same time, we want to bring them to a modular design, but we also have the Global War on Terrorism that has a large portion of our force engaged. We can't do it all at the same time without that bump up.

And that is what we came and made the case for saying, "We could do it if we weren't fighting this Global War on Terrorism."

"We could do it if we weren't having to reset ourselves. But to do it all at the same time, we need the bump up."



That will be a hard decision for the Army and for the Department of Defense if the emergency is shortened in 2005. I don't see that, but if it happens in 2005, or 2006, we will have to take a hard look.

We realize that, as we look at how many brigades we need for the national military strategy, based upon what we know today, we need to have 10 more brigades.

So we are going to grow from 33 to 10 to 43 by 2006 to meet what we think is the right rotation base for the right type of all volunteer Army for the Operating Tempo (OPTEMPO) that we see out there.

So we would have to really relook at our plans if the emergency powers ended in 2005.

Ms. BORDALLO. Thank you.

Thank you, Mr. Chairman.

Mr. MCHUGH. Thank the gentlelady.

If Mr. Gingrey will bear with me for a moment, because I just want to make sure I understood what General Cody said with respect to that mil-civ operation.

You have a three-year program, \$4.-something billion, roughly, 2005, 2006, 2007. There is no money in the budget for 2005.

But did I hear you say there is going to be, or likely to be, a supplemental request. I am not sure.

General CODY. Let me see if I understand your question, Mr. Chairman.

One is we are funding the 30,000 and the building of the 10 brigades through the emergency funding. And we are banking on a 2005 supplemental.

If we don't get the 2005 supplemental, it will impact on our ability to build the brigades. But it will also cause us a readiness problem in third and fourth quarter of 2005 for resetting these forces that are coming back up for this rotation that we have right now.

Mr. MCHUGH. Well, I understand that.

You would have more problems than that if you don't get a supplemental based on the DOD approach. But on that military to civilian conversion program—

General CODY. Okay, I see, mil-civ.

Mr. MCHUGH. There is no money for the 2005 piece that we can find to do that.

General CODY. No, there is not.

Mr. MCHUGH. I thought I heard you say that there may be money in the supplemental to fund the first phase of what will be a four point, some billion dollar, three-year program.

General CODY. It will be out of our budget. We have \$190 million right now in the fiscal year 2004 budget for mil to civ.

But we are looking at 15,000 over the next 4 years in order to get the efficiency so we can bring down that temporary 30,000.

And so we have money in 2004. We have 190,000 in 2005.

And we will use money from our programs to pay for it. And then we will use the supplemental dollars to take care of the 30,000 and the buildup of our 10 brigades.

I want to make sure—

Mr. MCHUGH. So that is roughly \$4 billion out of hide, as it is currently envisioned, roughly.



General CODY. Yes, sir. Potentially, yes sir.

General CARTWRIGHT. But I want to make sure that there is \$572 million in 2005 for about 10,070 mil-to-civ conversions spread across all four services.

Mr. MCHUGH. New money?

General CARTWRIGHT. In the budget. In the budget for 2005; in the submission.

Mr. MCHUGH. But it is not new money.

General CARTWRIGHT. That is not new money.

Mr. MCHUGH. Okay. I am not picking a fight, General.

General CARTWRIGHT. No, I just want to make sure—

Mr. MCHUGH. I am just trying to get the facts.

General CARTWRIGHT [continuing]. Because we are talking past each other a little bit here on this.

Mr. MCHUGH. The point being two interesting things. And we all get in trouble when we assume.

I think there have been some basic assumptions. And it was not, in my case, predicated upon any misleading statements by Office of the Secretary, or the services, or anybody else, that the military civilian would, by and large, be a one-for-one.

And General, you just said that is not true. So, you are being aboveboard about it, number one.

Number two, I think there is an assumption that whatever that cost, this doesn't come cheap. I did lay out one-for-one, but whatever it is: \$4.1 billion, whatever the matrix may be as to how you determine how many you bring back in after you convert them is that it would be an additional amount of money and nobody ever said that either.

So, I mean we are learning this as we go along. And that is not an insignificant amount of money to ask the services to self-finance.

Does the Navy have a bill?

Admiral HOEWING. As I said a minute ago, our military to civilian conversions are essentially all in the medical community and that community runs out of the Defense Health Program.

So, the funding arrangement right now is the dollars in the budget are there to cover the civilian personnel costs within fiscal year 2005, for those military to civilian conversions the dollars are not there for those military people.

So, as the military people, as those billets stand up on civilians, we either have to find new jobs, but these people will then be above our end strength that we have been briefing right here.

What we are planning on is for that end strength of those 1,700 to go down.

And that is my point here. If we have valid positions out there for those medical people, that is going to be our first thing to do.

But we may need some transition-type incentives over the years to come that will give us the capability of keeping faith with those people when those jobs go away.

Mr. MCHUGH. I think all of the services are going to need to be creative about that. That was another question.

But I thank the Georgian for being patient with me. I just wanted to make sure that I understood that.

And with that, I am pleased he is here and honored to yield to him.

Mr. Gingrey.

Dr. GINGREY. Absolutely, Mr. Chairman. Thank you, thank you. I am going to shift over to Admirals Green and Hoewing for my first question.

And Admirals, for as much as the Army has utilized its reserve component forces in the past few years, it seems that the Navy has stayed away from using them, but particularly the reserve aviation assets.

And as the Navy begins to enact the Fleet Response Plan it is unclear to me how the Navy intends to fund the manpower needs necessary to sustain readiness levels that you are talking about, as well as the ability to surge on a moment's notice, as you said.

And so here is my question: it seems that when your reserve aviation assets cost maybe only a fifth as much as active duty assets, they provide a good financial option for the Navy, yet I am not sure of the clearness of the Navy's plan for the future of reserve aviation and I was hoping that either one or both of you could comment on that.

Admiral GREEN. Yes, sir. Let me begin from the operational perspective and just say that on any given day, we have quite a number of reserve aviators deployed forward; several aircraft in the Southern Command conducting counternarcotics and other operations.

During the period of time when I commanded our naval forces in the Southern Command, that Air Wing 20 came around on board USS Nimitz and was able to carry out a big part of our operation down there.

And we have reserve aviators, both aircrews and maintainers, deployed forward around the world conducting operations.

With regard to the restructuring and the realignment of reserve aviation, along with the rest of the reserve force, as we go closer and closer to the ideal of the total force within the Navy, what we are seeing is an almost transparent relationship.

In fact, a unit identity within the service, with regard to who is doing the flying and who is making the aircraft available to operate.

The establishment of the Fleet Response Units (FRUs) is a good example of how we are going about doing that.

As we find ourselves somewhat constrained, in terms of maritime patrol and recon aircraft globally, the part that the reserves are playing is absolutely crucial to our ability to carry out our global missions.

So, I would say that from our perspective, from an operator's perspective, we in fact, are moving more and more forward to the best application of the most ready forces and to support, not just the Fleet Response Plan, but the global missions that are assigned to the service and the reservists are absolutely at the center of that approach.

Admiral HOEWING. Very little to add other than as an aviator, one of the things that we face in the naval aviation in the reserves is that some of the equipment, some of those aircraft are not up

to the same standard as many of our forward deploying aircraft that we have on our carriers.

With the stand up of our Fleet Response Units, this gets those very talented aviators in the reserves mixing right in with their active duty counterparts, which gives us greater capability.

So, my point would be that we have more and more reserve aviator integration into our active force, which makes us even more capable, because we can reach back and grab that experience and technical capability that our reserve aviators bring.

Dr. GINGREY. Let me get a little bit more specific and maybe somewhat parochial in regard to the FA-18 Reserve fighter squadrons.

I have a very deep concern about some of the discussion about the possibility of decommissioning squadrons, the reserve component squadrons. And particularly as it might apply to my own district, could you speak to that?

Admiral GREEN. Well, sir, first I would say that, as Admiral Hoewing has, that the currency of the aircraft, the readiness of the aircraft and the fit of the aircraft is the central issue here.

What I would prefer to do is provide a written response to your question to go specifically to the issue that you are addressing, so that we can make sure that we get the numbers and the plan exactly right and to satisfy your question.

[The information referred to can be found in the Appendix beginning on page 580.]

Dr. GINGREY. Great.

Thank you, Admiral and thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentleman.

Admiral you spoke about the Navy active end strength and the decommissions, et cetera, and how that is brought to you to your current end strength estimate.

When the CNO briefed the full committee on his plan in 2004, just about a year ago, and this is the CNO's chart, and we will put that in front of you, just so you have a copy of it.

The top line was at 2004 submission, where he expected the end strength level to be through fiscal year 2009 at 370,100.

When he came in for 2005, with the same brief a year later, and again submitted this chart, he drew it down to 357,000, this gray area being the difference in one year.

If you just look at this chart, but based on the CNO's chart, that is a relatively significant difference. I am just curious what happened from 2004 submission to 2005 that justified that kind of big change.

Admiral HOEWING. Thank you for the question, sir.

The CNO and his leadership team, me included as the manpower and personnel person, have a continuing developing human resources strategy for the Navy for the future.

That strategy has been developing over the last two years. It will be continuing to develop over time and as you take a look at the Navy's strategic manning approach, the how's of which I mentioned a little while ago, the looking at the true requirements, elimination of duplication; our history has been that we invest in technology, but not reduce the people that that technology was designed to replace in the first place.



Our strategy now has changed because we are in a position to be able to do that.

With very high reenlistment rates, very good recruiting capabilities, and very low attrition, we are in a position now where we are strong enough to be able to very specifically go out and determine what those requirements are and take those efficiencies where they make sense so that we can do exactly what we have all been talking about.

And that is to be able to reinvest those dollars, not on the backs of sailors, but because the work has gone away.

So, we are tabbing a very comprehensive approach at taking a look at the work that sailors are doing. Let me give you one really good example of a way that we are capitalizing on our investments.

We have a process we call, a revolution in training. And in that revolution in training we are delivering training and education to our enlisted sailors now and officers in the future, that increases the output of the training to where as the sailors know more; their level of knowledge goes up.

But, at the same time, their cycle time, while going through that training, is dramatically reduced.

As a result of that, we are able to reduce those overhead accounts where we have thousands of sailors in training billets and improve the quality of the training and education and improve the capabilities of the sailors, all at the same time.

That is just one example of being able to capitalize on that.

And this is an emerging strategy. If you take a look at the CNO's chart there, we believe that is an executable strategy from the military manpower requirements that we will be seeing for the next several years.

Mr. MCHUGH. Thank you.

Obviously there are a number of questions that rise out of this projection.

And there are projections and the Army has theirs and the Marine Corps and of course, the Air Force. The first is: are we going to be able to keep in uniform, those men and women we need to recruit and retain?

And many of us, even though the snapshot today is very positive in that regard, but also, do we and will we, more importantly, when we look at this chart, assuming it is followed through, will we have sufficient force to meet all of the contingencies and missions that we have out there?

And I was just curious, how do the services, in this case the Army and the Navy, what metrics do they use to determine that we cannot just meet the requirements in Iraq and Afghanistan, but everything else we got going on or likely?

How do you make the judgment, "Yes, we are okay." or "No, we are not."? What are your metrics? Is that a fair question?

Admiral HOEWING. Let me start out from the Navy's perspective, from our manning perspectives, we know that for those operational units that are surge ready, ready to forward deploy, that includes things like the Seabees and the SEALs and those support forces, the hospital corpsmen that go with the Marines, we know that we have to keep those operational units manned at what we call C-1, full readiness, so that they are ready to deploy.



That is where our priority goes and if you took a look at the manpower structure that is underneath this chart, you will see that there is very little reduction, in fact, very little reduction other than those associated with the decommissionings and some optimal manning things where we found out that our ships were operating better with fewer people, because we were eliminating some of those very low, the most junior jobs on those ships that were being done by our least skilled sailors.

They were eliminating that work and doing that work ashore.

So, to answer your question, sir, from a recruiting perspective, we believe we should stay strong, in fact, should continue to remain strong, because our numbers are going down in the recruiting market because the requirement is less.

And from a retention perspective, we have sailors that are going to be in better jobs.

They are not going to be in some of those menial tasks that they have done in the past. Higher quality jobs, better job content means that, we believe, that those sailors will stay.

We know that there has to be a strong incentive package to continue to do that and that is why Selective Reenlistment Bonus (SRB) programs are so important for us.

So, from a mission meeting the mission success perspective, we think we do have the sufficient forces because that is not the area where we are taking those efficiencies.

Mr. MCHUGH. So you judge it by and large as to who is remaining and what their jobs are and do they cover the specific or likely challenges that are out there?

Admiral HOEWING. Yes, sir.

Mr. MCHUGH. Okay. Thank you.

General HAGENBECK. Sir, we have, obviously, very similar metrics as the Navy. We look at it in the aggregate, we look at it by unit, we look at it by grade and skill.

We also pay attention to the propensity to serve and reenlist, and we look at the OPTEMPO that we have. And by all accounts right now, we are in extraordinarily good shape, but that is not to say that the behaviors may change in the long run, based on what our commitments are.

We have people from the Army Research Institute and RAND, who are continually conducting surveys for us and providing us analytics against historical trends and what we look like today and try to predict what we will look like tomorrow.

All of those indicators, at this time, are very positive. But we watch this on a daily basis.

Mr. MCHUGH. Thank you very much.

I was going to ask you if you could stand by for a second while I consult with my colleagues here.

Doctor Snyder has a quick follow-up.

Dr. SNYDER. Admiral, this is for my education here.

I think in your written statement you used the phrase, discussing this general topic, what you talked about with Mr. McHugh, "revolutionary shipboard watchstanding practices." I don't know what that means.

Admiral HOEWING. There are several things. If you take a look at the way we have manned our, using a surface ship as an exam-

ple, over time we had grown our watchstanding crew on the bridge to where you would have seven or eight personnel up there.

We have bought more technology to put on those bridges, like some of the navigation materials and things like that, but we never removed the people off the bridge.

Same thing in the engineering systems; many of those technologies have been inserted in order to drive down manpower costs, but the people were not removed. And that is what we mean by that.

Mr. MCHUGH. Gentlemen, the reason I consulted, I didn't want to deprive any of the members if they had a specific question, they felt compelled to ask right now.

The good news for you is they didn't, although I can assure we will and we would appreciate your forbearance and follow up with some written questions and if you could respond in writing to us to fill out the record, we would be appreciative.

Want to thank you again for being here today, for your service, for the great contribution you make to every American citizen at a very, very challenging time for a whole lot of reasons.

You are doing a great job, we appreciate it. God bless you and thank you for being here.

We will stand in recess until we return. We have four votes, four or five. My apologies to the second panel; I hope they are able to smoke them if you got them. We will be back soon.

[Recess.]

Mr. MCHUGH. Thank you for your patience, gentlemen. And I do deeply appreciate it.

And before we get to your testimony, let me introduce the distinguished members of the second panel.

The first is Lieutenant General Duncan McNabb, United States Air Force, who is Deputy Chief of Staff, Plans and Programs, Headquarters, Department of the Air Force.

And we welcome Lieutenant General Richard "Tex" Brown, United States Air Force Deputy Chief of Staff for Personnel, Headquarters, Department of the Air Force; Lieutenant General Jan C. Huly, United States Marine Corps, Deputy Commandant for Plans, Policies and Operations, Headquarters, United States Marine Corps; and Lieutenant General Garry L. Parks, United States Marine Corps, Deputy Commandant for Manpower and Reserve Affairs, Headquarters, United States Marine Corps.

We welcome you all. We have had the opportunity to work with a number of you.

To those we have, we welcome you back; to those we haven't, welcome in the first place.

As I mentioned to the first panel, we do have all of your written testimony in its entirety. Without objection, they will be entered into the record in their entirety. Hearing none, so ordered.

And with that, we will take your testimony in the order in which I had the opportunity to introduce you.

Lieutenant General McNabb, welcome sir.

**STATEMENT OF LT. GEN. DUNCAN J. MCNABB, U.S. AIR FORCE,  
DEPUTY CHIEF OF STAFF FOR PLANS AND PROGRAMS, DE-  
PARTMENT OF THE AIR FORCE**

General MCNABB. Thank you, sir.

Mr. Chairman, Congressman Snyder and members of the committee, the Air Force is a team of active duty, Air Force Reserve, Air National Guard and civilian personnel, brought together to wield air and space power in defense of our nation.

As we transform for the future, we are acutely aware that in the end the process of transformation begins and ends with people.

And I got to talk to Congressman Saxton last week about transformation and what we are trying to do there.

Two-plus years of a Global War on Terrorism have taught us that our enemies are unpredictable and adaptive, changing as we change.

To be adaptive and agile ourselves, we must transform based on broad capabilities, not specific threats, and we must man-up with the right-sized, right-trained, right-equipped future total force.

We see this in our evolving joint concepts of operation.

Afghanistan and Iraq have reinforced our conviction that a transformational operational concept strives to close the seams among the services to provide the joint force commander with the most effective options for any situation, regardless of what the individual services contribute and how it is all pulled together.

To do this, we need airmen who can cross service lines to live, think and operate as part of a joint team. We only need to look at the success the close air support played in Operation Enduring Freedom (OEF) and OIF.

Our airmen on the ground were the eyes on target; the terminal sensors, if you will. The Air Force leadership is committed to increasing the effectiveness of air support to the land forces, which means developing a new generation of battlefield airmen.

This requires new technology, but it also means a new way of thinking culturally. And these airmen, like all airmen, must think joint and they must think expeditionary.

We have made great progress in maturing our air expeditionary force concept (AEF), which I outlined in my written testimony.

And we continue to tailor and shape our AEFs based on lessons learned from the crucible of war: Kosovo, Afghanistan, Iraq and on-going operations.

After 9/11, the Air Force had to stand up 32 expeditionary bases to support operations in Afghanistan and Iraq. That required an enormous amount of expeditionary combat support: civil engineers, medical forces, and the like, and much of that capability is located in the guard and reserves.

So our challenge is not that we lack manpower, but that we must partner the active and reserve in new organizations to produce capability more efficiently.

We must integrate our total force into state-of-the-art systems that are coming onboard, like the FA-22 and C-17, which will allow us to surge and deliver more sorties, more munitions and more tons of cargo per day, provided they have the right mix of personnel and ideal crew ratios.



Additionally, increased investments in the joint enablers, like unmanned aerial vehicles, C4ISR and space will open up new reach-back roles and missions for guard and reserve forces that we have not had before.

Reserve war fighters will be able to play vital front-line combat roles without losing the stability demanded by their civilian lives.

If today the cutting edge of the future total force is the blended 116th Joint Surveillance and Target Attack Radar (JSTAR) wing, imagine tomorrow an integrated space-based radar mission where our reservists will fly the satellite for a four-hour period before reporting back to his civilian job.

Or imagine a reservist in a blended Unmanned Aerial Vehicle (UAV) wing, based at Nellis Air Force Base, flying an attack mission from 7,500 miles away.

Well, you don't have to imagine that; that is in fact happening today.

As we reshape our total force, we cannot overlook the fact that citizen airmen form the backbone of the reserve components, and we are highly sensitive to the impact recurring mobilizations have on our reserve component members and their families, as well as their employers.

We believe the synergies achieved through the future total force will make the Air Force team more effective than ever, and the time to do so has never been better to make it happen.

In the end, the future total force is about making the most of our most critical resource, our great airmen.

With the support of Congress, we are confident that we can put the right people in the right place with the right training to fight and win our nation's wars.

Thank you, Mr. Chairman. I look forward to your questions.

[The prepared statement of General McNabb can be found in the Appendix on page 526.]

Mr. MCHUGH. Thank you very much, General.

Next, General Richard "Tex" Brown, deputy chief of staff for personnel.

General, welcome, we look forward to your comments.

#### **STATEMENT OF LT. GEN. RICHARD E. "TEX" BROWN III, U.S. AIR FORCE, DEPUTY CHIEF OF STAFF FOR PERSONNEL**

General BROWN. Thank you, Mr. Chairman, Congressman Snyder, Congressman Saxton. I appreciate the opportunity to speak with you today.

Before I begin, I would like to recognize two groups for their outstanding support of our men and women in uniform, and the first group is Congress.

Over the last several years, you have shown strong, sustained support for our airmen. You approved significant advances in pay and benefits, retention incentives for the men and women of all the military services.

These initiatives have made a significant difference in the readiness of our Air Force and the quality of life of our members and families.

Our airmen recognize your support, and it does make a difference. Let me extend to you their thanks.



The other group I would like to recognize is the families of the men and women of the Air Force.

The support and sacrifices made by Air Force family members are a critical force-multiplier to the overall success of the Air Force team. Their sacrifices and service are crucial to the overall effectiveness of our team.

We salute them, and we are very proud of them.

Now, a few important issues affecting the people of our Air Force today: over the last decade, America's airmen have responded to dramatic changes in the world security environment.

We completely transformed our Air Force into an agile expeditionary force, capable of rapidly responding on a global scale with forces tailored to handle each contingency.

Since 9/11, that transformation has taken on an even more urgent and accelerated pace. This transformation produced outstanding initial results, but the journey is just beginning.

We recognize the Herculean effort put forth by all members of the force to meet these changes in our mission needs, and in particular the stress we placed on members of the Air National Guard and the Air Force Reserve.

We are making every effort to relieve the stress on the airmen who make up those mission-essential forces, just as we are making an effort to relieve the stress on many of our active-duty members in critical war-fighting skills.

Because we currently have more people than authorized billets, it has led some to ask if we need to increase the size of the force to accomplish the mission, especially with mobilizations in effect.

The answer is that, first, we need to ensure we are using the people we have in the most efficient and effective way.

The Air Force must ensure optimum allocation of its existing force assets before requesting an expensive increase to military end-strength.

As the Air Force adopts the capabilities construct, we are adjusting our manpower requirements processes, starting with requirements to meet war-fighting commanders' needs.

Now, we will continue to review and adjust our manpower to support requirements, ensure we use military resources for military tasks.

And we are going to look to civilians and contractors to meet the balance of our human resource needs.

Since these changes directly impact our people who serve voluntarily, we need to be prudent in the speed and magnitude we use to make changes, in order to avoid unintended adverse consequences.

Our challenge is to make the right personnel policy decisions, implement them in a way that allows our systems to react quickly enough to meet emerging requirements, while avoiding undue hardships on our people.

Today, we are also shaping what our total force will look like in the future. As we carefully review what each component brings to the fight, we are working to ensure the best capabilities are retained and nurtured.

These efforts are intended to expand mission flexibility and create efficiencies in our total force. We could not accomplish the mis-

sion without them, and our seamless integration of active and Air Reserve Component (ARC) forces continues to facilitate their participation.

In the long term, we must make every effort to relieve the pressure on our ARC forces, just as we must take steps to ensure the long-term health of our active-duty forces.

So too must we ensure the long-term health, combat capability and career viability of our civilian soldiers in the Air Guard and Reserve.

Sir, this is the third year that I have been here to testify before you, as my good friend, Garry Parks, to my left.

And I look forward to your questions. And I am glad to be here with you. Thank you.

[The prepared statement of General Brown can be found in the Appendix on page 533.]

Mr. MCHUGH. Thank you very much, General, and we do appreciate your stick-to-itiveness in being with us again this year.

No stranger to this committee, either, and I think in the past I have done this as well, and mispronounced his last name, General Huly.

I am consistently, unfortunate as it is, consistently dense at some occasions, General. I apologize for that mistake again.

I understand you are going to be presenting testimony for both you and General Parks. Is that right?

General HULY. Actually, sir—

Mr. MCHUGH. You are?

General HULY. Yes, sir, I am Lieutenant General Jan Huly, yes, sir.

Congressman Snyder—

Mr. MCHUGH. Well, General, that is what I said.

#### **STATEMENT OF LT. GEN. JAN C. HULY, U.S. MARINE CORPS, DEPUTY COMMANDANT FOR PLANS, POLICIES, AND OPERATIONS**

General HULY. Thank you for the opportunity to appear before you today. I am proud and honored to be here, representing the 215,000 Marines, both active and reserve, in the United States Marines.

But General Parks and I did collaborate on a single statement. And in as much as he is senior, a little bit older and wiser than me, I defer to him to make the statement.

So again, I look forward to your questions.

[The prepared statement of General Huly joint with General Parks can be found in the Appendix on page 556.]

Mr. MCHUGH. I withdraw my apologies for being confused. Because—

[Laughter.]

General Parks, good to see you again sir. We look forward to your comments.

#### **STATEMENT OF LT. GEN. GARRY L. PARKS, U.S. MARINE CORPS, DEPUTY COMMANDANT FOR MANPOWER AND RESERVE AFFAIRS**

General PARKS. Thank you, Mr. Chairman.

Congressman Snyder, Congressman Saxton, thank you for the opportunity to appear before you this afternoon.

As has been mentioned, General Huly and I are honored to be here to represent our Marines, both active and reserve, that serve in the Corps today, and to thank you for your support of the dedicated Marines that we have and their patriotic families.

Your Marine Corps continues its role in securing the interests of our nation, with forward-deployed naval expeditionary forces tailored for the current operating environment.

At this time, we are flowing what will ultimately be 25,000 deployed Marines and sailors to Operation Iraqi Freedom II.

Our reserve units and individual augmentees have rapidly integrated with our active force, demonstrating the effectiveness of the Marine Corps' total force team.

I would like to highlight just a couple points.

Due to the hard work of our recruiters and our Marine leaders all across the Corps, we are once again poised to exceed our fiscal year recruiting and retention goals. Our Marines are working hard, they are stretched, but they are doing what they trained to do.

We are watching our recruiting and retention numbers and other leading indicators more closely than ever, and to date they remain strong.

The Corps has less than 4,100 selected Marine Corps Reserve unit Marines mobilized, and 1,250 individual volunteers who are filling important joint and internal billets.

Finally, we are proud of the deployment support programs that we have in support of the families that are back as well as the Marines that we have forward.

You can be proud of the contributions and sacrifices of the young men and women of your Marine Corps, both active and reserve, and the families that support them.

We thank the committee for your continuing commitment to take care of your Marines.

We both look forward to answering your questions.

[The prepared statement of General Parks joint with General Huly can be found in the Appendix on page 556.]

Mr. MCHUGH. Thank you, General Parks.

Let me start with you, and to the extent it is applicable, on your colleagues from the Air Force. You mentioned the 25,000 deployment. That is a departure from your traditional role.

We will ask, probably in written form, to the Army why that becomes necessary. I think it relates directly to the Army's current situation with respect to deployability and available end-strength.

But it does affect some of the other normal rotations in the Marines.

I assume your Okinawa deployment and the draw-down of a single battalion there has something to do with that.

This 25,000 seems to have an inevitable impact on your ability to meet other deployment and wartime requirements. And maybe it doesn't.

But could you comment on that situation?

I remember General Hagee had said earlier in testimony to the Senate, you can do what you are doing right now, as long as these new requirements are short lived.



It doesn't look like they are going to be very short lived. So, I am curious how you would assess that and what you feel your needs may be over a longer term.

General HULY. Thank you Mr. Chairman. The Marine Corps is expeditionary by nature and we are accustomed to deploying in support of contingencies worldwide.

And we are structured in a way, I think the term modular was mentioned, we call it the Marine Air-Ground Task Force, that we size and shape to the mission that we have before us.

And I believe your comparative statement is true in regard to as long as our contingencies are limited in duration.

What we are doing right now is we are looking internally, as I know my colleagues are, as we have talked about already on how we mitigate the near-term impact, because there is obviously the question in regard to the reliance on reserves.

I will tell you that of the 25,000 Marines that we have going to Iraqi Freedom I, the first half, excuse me, Iraqi Freedom II, but the first half of that for our deployment, 12 percent of those are Marine Corps reservists.

We are looking at other ways to assist us internally, short of a permanent end strength increase.

"Trust your extensions," that is a Marine who says, "I want to stay in, I want to at least go on this deployment, but I may not want to re-enlist." We have opened a valve on that.

These are authorities that Congress has provided.

We are looking at some increased accessions, to help us in some specific areas.

We have considered the increase of our first term and our subsequent term alignment plans, which are our reenlistment valves, and yet we elected not to do that because we think the timing is not right for that.

Some Marines who have been mobilized for more than two years have volunteered to remain on, again, in a volunteer status.

We are open to looking at some retiree recalls: again, those who have been out just in the last couple years, who fit into category I, who are ready to go.

To turn the valve open a bit more on that, we did some of that for Iraqi Freedom I. Looking at that again, these kind of measures are simply some examples of how we can mitigate the impact for the near-term, while we look at the total revamping longer term on how we are shaped, based on the lessons learned that we have in the Global War on Terrorism at large, as well as lessons learned from OIF I.

Mr. MCHUGH. Thank you. This probably won't be an entirely fair question, but welcome to Congress, I guess.

General Hagee's comment was that the Marine Corps would be able to, "Meet operational contingencies as long as the contingencies are temporary in nature."

Now, I recognize that was his statement, I don't expect you to define his words, but what in your judgment, where do we cross the line and admit we are going to be doing this long enough.

The very creative measures that the Marine Corps has made, and you just mentioned them, and all the other services have done



them as well, can't be a management system over the longer term in my opinion.

So, where do we draw the line and say, "Okay, we got to stop kidding ourselves, it is no longer temporary" if we should get to that?

General HULY. Sir, I would like to go ahead as the deputy commandant for operations, committed to the Global War on Terrorism, as we stated earlier, 25,000 Marines are currently deploying or are in Kuwait on their way into Iraq.

We have a few thousand more in Okinawa, we have 2,000 in Afghanistan and as you alluded to we have almost 1,500 currently in Haiti; and we have some Marine expeditionary units forward deployed.

As I looked at the charts this morning, we have about 50,000 United States Marines forward deployed or based and stationed overseas. That is both active and reserve.

We have an active component of 175,000 Marines, an additional 5,000 reservists on active duty. So, 50,000 forward deployed, we have a base of about 180,000 that are currently sustaining that.

We think that is pretty manageable for right now, sir, as a matter of fact. It is putting some stress on the force, but we are able to meet to our contingencies, we are able to meet our commitments.

We think as long as we can keep that ratio with what we have on the horizon, we will be able to meet those commitments.

Mr. MCHUGH. Let me ask you a quick question.

Do you maintain the rule of thumb that, for example applies for the Army, for every troop deployed you are actually talking three, because you got one training to go in and the ones that just came out for redeployment?

General HULY. Sir, our operational tempo, we have an overall goal or objective we like: one unit deployed for three units of measurement of time back in the states. Even before 9/11 we weren't there.

We were down to about 1 to 2.7. Now we are about down to one to one for some of our operational units.

Mr. MCHUGH. That is tough.

General HULY. It does appear to be tough, sir, but if you are a young man or woman joining the Marines on your first enlistment, you are probably making three six- to seven-month deployments in that four-year enlistment.

And it does seem like it is tough, but people join the Marines to deploy and they are getting the opportunity to do it.

Mr. MCHUGH. I will be the first to concede the Marines are special. I have no qualms about that. But I worry that for even the toughest Marine, and they are all tough, there comes a time when you have to be home.

And I worry as well.

I talked about the Okinawa deployment, well technically, that is a training mission, it is still in support of what may or may not happen on the Korean peninsula.

Is it not?

General HULY. Yes, sir.

Mr. MCHUGH. And that is not exactly a Disney film right now.

Make no mistake about it, you folks are doing a great job, this is in no way a criticism of you, but we are worried about that.

I want to give the Air Force an opportunity to respond as to their metrics and how they do that, but in fairness to my colleagues, if I may, I will come back to that.

And I will defer to the ranking member, Doctor Snyder.

Dr. SNYDER. Thank you, Mr. Chairman.

General Brown, you made a comment in your written statement about this issue of retention and stop-loss, and I think I am just really trying to understand how we calculate things.

But you say why we are still grappling with skewed retention numbers affected by stop-loss of 2002; we are nevertheless seeing very positive signs overall.

What does that mean?

General BROWN. Well, and as I heard the committee ask the panel before us about stop-loss and are your retention numbers a reflective.

We instituted a stop-loss shortly after 9/11 and we held it for about, across the entire force, was for about three, four or five months and then we gradually started taking different career fields off to where our entire stop-loss was lifted after about a year's time period.

Throughout the period we were in stop-loss, trying to measure retention, it was inaccurate. When a person can't leave, to measure your retention and start feeling good that you have good retention, is fooling yourself.

So, clearly during the time of most of fiscal year 2002, where we had stop-loss in effect, for me to tell you our retention was sky high and let's all pat ourselves on the back——

Dr. SNYDER. Well, that is what I was trying to get at in that line of questioning.

General BROWN. Yes, I know it was.

Dr. SNYDER. Because we are trying to say that we think we are in good shape, but we may be fooling ourselves if the stop-loss goes away and everybody goes home and opens a hardware store.

General BROWN. So, I would say from the Air Force perspective in 2002, we could not measure. That is because we wouldn't let them leave because it was stop-loss.

So, the 2002 figure is not a figure I can hang my hat on.

When I look at 2003, and as we are now about six months into fiscal year 2004, I can give you pretty accurate retention figures.

And our retention: we are feeling pretty good. It is very high, in spite of having gone through almost a year of stop-loss in 2002 and we were concerned, not only in the active force, but the guard and the reserve, that the reaction might be just the opposite.

"Well, I am not going to stay with this kind of outfit." But we did not get that kind of reaction. Now that is a statement of the faith of our people, of our nation who showed support for those in uniform——

Dr. SNYDER. I think also you are trying to deal with some of the people who you had the stop-loss order put on them, but then they had some real personal situations, they had already sold their home and invested in a business and I mean you all tried to deal with those things.

General BROWN. Absolutely.

Dr. SNYDER. And so, there is not a lot of bad morale.

General BROWN. Yes, sir. You are exactly right.

We had a waiver process, when it was really going to be difficult on somebody, then we waived them from this and let them go. So, I think we did it in the right way.

But my statement was trying to say that it is hard for me to tell you how good our retention figures were or how accurate they are from 2002, but 2003 and now this year of 2004, we are feeling pretty solid about retention.

Dr. SNYDER. Well, you got exactly what my question was.

General BROWN. Yes, sir.

Dr. SNYDER. We need to get that full information when we see those numbers.

And I am not sure to direct this to General McNabb, or to you, General Brown, but it is my understanding for the last couple of years you all have used the Army National Guard for security.

And what is the status of that and what are the numbers and how does that fit in to these short-running and long-running issues we are dealing with?

General BROWN. Okay.

Do you want me to take it?

When we found ourselves deployed across the world in a greater way than we had expected, opened up bases for both Afghanistan and then here in this past year with OIF.

In order to secure those forward bases we took a lot of our Air Force security folks and moved them forward.

And so, it is a great story for the jointness of all of our forces, as we together looked around and saw how can we help each other.

And the Army National Guard raised their hands and said, "We can help you out."

So I thank my programmer with the funding, we paid for some Army guardsmen to be activated to help us guard and protect our bases back here at home while our active duty Air Force

Dr. SNYDER. Do you know what those current numbers are?

General BROWN. I want to say 6,000.

Dr. SNYDER. It is still 6,000 that are activated?

General McNABB. I know that we are returning them back. And the story goes on as we look at what our folks are facing in Iraq.

We are doing the same thing to help the Army and the Marines, as we have expeditionary bases over there where they say, "Hey, we have some shortfalls" and then we jump in there and I would echo what General Brown said, this is a real success story because we are sharing and we are doing this in a joint way.

And where we can help each other, we do. And I think again, it is a real success story.

General BROWN. Sir, I believe the number was 6,000, what we—

General McNABB. Well it was 8,000 to start with.

Dr. SNYDER. Eight thousand. And we are at least at either half or less than half of that that have now come back off of duty, and we are slowly taking the remainder off duty in the next six months.

General McNABB. One of the things that we are doing, Mr. Congressman, is we also added money, we added dollars for technology



as we looked at how could you perhaps, take care of this requirement in other ways, rather than just throwing manpower at it.

And we put in the neighborhood of \$400 million into technology to help, as we brought that back to figure out how we could do this in different ways to make sure that we took care of the requirement, but looked at all different ways of doing that.

Dr. SNYDER. General Brown mentioned jointness. I wanted to ask you and I don't know who to address it: General Park or General Huly.

As you are looking ahead we talk a lot about jointness and we all know how important it is.

How does your planning, your training and all on increased jointness at times go by, how are you handling that as you are looking ahead with these manpower needs?

One of your statements talks about the stress that you are under. Good jointness requires really good training and that is something we have been grappling with for the last several years. How do you respond to that?

General HULY. Thank you for the question, sir. That is a good one.

A good example is in our current deployment going to Iraq. We are deploying a Marine Air-Ground Task Force.

It will have 120 aircraft with this very intensive infantry-intensive organization. All of the aircraft that we are deploying are either helicopters or they are C-130's.

All of the close-air support requirements, all of the strap lift to get us there naturally is being provided by the Air Force and the close-air support and any other aviation needs that we need above and beyond are provided by the United States Air Force.

That is the end result. The result to get there is a lot of good, hard training and planning to get us there.

Dr. SNYDER. It also takes time though, and if you are under stress, using your words in your written statement, I assume that means finding time and personnel to do everything.

If, I assume, that one of the things that gets shorted is joint training. Or is that an inaccurate statement?

General HULY. That is not an accurate statement, so I would classify it as inaccurate.

Yes, time is of the essence and it really is a hard commodity, but we are not sacrificing joint training to get there.

Just as a matter of fact, we conducted a rather large, joint, close-air support training exercise out at Twenty-Nine Palms in the National Training Center, in conjunction with the Air Force, the Army, the Navy and the Marines, all in a big one under the auspices of the Joint Forces Command.

And these techs, I think, that was what January, February timeframe?

So, we do have a good joint training program going on to capitalize on each other's strengths.

General PARKS. I would add to that, Mr. Congressman, from the standpoint of our training, we have a heavy portion of our officers and enlisted Marines and professional military education. We take schooling very seriously.



We have 1,040 officers and enlisted predominantly more senior officers who are right now involved in individual augmentations on all the myriad joint staffs, not the joint staff, but the joint staffs that are in Iraq and in Afghanistan.

At the general officer, flag officer level we have held war-fighters with our sister services; just recently held one at Colorado Springs with the United States Air Force, and just about two weeks ago with the Special Operations Command.

So, I think, if anything, we are doing more today than we have ever done in the past. And that is not an area that is suffering.

Dr. SNYDER. Good. Thank you.

General PARKS. We also, I would tell you, have more general officers on joint assignments than we have ever had.

Dr. SNYDER. Just to comment, for the Air Force, obviously the Congress and the American people are very concerned about these reports in the paper of the sexual assaults overseas.

I am not going to ask any questions today, but I think that it is very early in this and I assume you all are very concerned about that and at some point we will have a formal way of looking at that here, but I am not going to ask any questions about that.

General BROWN. Yes, sir.

Dr. SNYDER. Not any more than what has already been asked. Thank you.

Mr. MCHUGH. I thank the gentleman.

Gentleman from New Jersey, Mr. Saxton.

Mr. SAXTON. Thank you, Mr. Chairman.

The concept of jointness has certainly been well discussed today. I must say that the notion of doing things in a joint way makes a whole lot of sense.

In fact, this morning in full committee, we had a closed hearing where part of the hearing described a joint activity that took place which was very successful and involved all the services.

And that happened to be a SOCOM-run activity, mission, but with some conventional forces.

And I am just wondering, as we sat here this morning or earlier this afternoon, I guess, we heard the Army talk about a unit of employment that would have some joint features.

A unit of employment, of course, in the Army would take the place of, I guess, a division. And along with being a different name, it would be different in nature because it would be somehow more joint.

I am wondering if General McNabb and General Huly could give us some input as to what you have heard about the unit of employment. What role Air Force personnel would play in the unit and what role Marine Corps personnel would play in the unit?

General HULY. No, sir, I think that what we think about it is if I took the race to Baghdad, and you think about what the Marines and the Army and the Special Operations forces were betting on from the Air Force, it wasn't only our indirect fire support, it was ISR, it was so that they could see what was going on around them, it was logistics capabilities so that they could be free of the normal lines of communication and it was a space network which would allow them to communicate and navigate in ways that really changed the way they could do business.

When you talk about the independent brigades, they are going to be betting on us and I think the Marines and the Navy in ways that are going to be built on trust that we get through exercises by working together and having the successes like we did in Afghanistan and in Iraq.

And there is no question that all of us have plenty to do, so what we want to do is bet on each other in ways, perhaps, we just didn't realize we could before and we could do that again through exercises and training.

As the Army transforms, and it is one of those things that when I testify to your committee.

I have testified to your committee, I talked a little bit about one of the biggest issues we have is that everybody's kind transforming together. As we look to the future we have great opportunities.

But since everybody is transforming at the same time, what you want to do is make sure we are talking to each other in ways, again, that we have not done before.

As the Army continues to mature their concept, there is no question they are going to be betting on our joint enablers, especially the stuff again, that we bring to that joint enabling fight which is the mobility or a feeling C4ISR and space in ways that at this point, perhaps they hadn't.

And so now, we want to make sure that we are agile enough in our transformation to be supporting of them and again, the same things with the Marines and the Navy.

Mr. SAXTON. Okay. But that is not really my question. That doesn't really answer my question.

My question is, if there is a joint force commander, who is the commander of the unit of employment, what role the Air Force plays in the Army unit of employment?

General McNABB. Sir, I think that will be on a case-by-case basis. Because I am not exactly sure, the Concept of Operations (CONOPS) will change, and as they joint war-fighting commanders matures, how he is going to fight the fight.

He will be looking and we are giving them a portfolio of capabilities that he chooses from to support however he is going to go about this.

And I don't know how to answer it, better than to just say that that joint war-fighting commander will set the pace and say, "Here is what I have to do."

What we want to do is offer to him, "Hey, we can take of it this way, this way, or this way, but also have the integration of our staff so that they can see the same operational picture."

If I think of General Moseley working with his counterparts during Iraqi Freedom, they had to make sure they were talking on a daily basis and sharing what they were trying to get done and say, "Well, I can help you there, but I can't—but we may have to bet on somebody else to do that."

Or can you change your CONOPS here, because I can take care of this from kill box standpoint and others. So, I think that is very fluid.

And what we want to do is have an agile enough organization in support so that we can take care of the joint war-fighting com-

mander because he doesn't know hours, what he is going to be facing.

And we have to be quick enough on our feet to be able to take care of that.

Mr. SAXTON. The joint war-fighting commander will always be an Army general?

General McNABB. No, sir.

Mr. SAXTON. Are you certain?

General McNABB. No, sir. I think, in fact I don't. I think it is whoever it is. And all of us need to be able to bring to him, "Hey, here is our portfolio" of advantages we offer and then work it from there.

Mr. SAXTON. General Huly, do you want to take a crack at the same?

General HULY. Yes, sir. Your last question about the joint war-fighting commander to be in the army, officer: currently the Joint Task Force (JTF) commander that is now standing up at Haiti is Brigadier General Ron Coleman, United States Marines, Second Force Service Support group.

We are awfully proud of that. We have headed up JTFs before, so there is a good example, right there, of how this dynamic situation continues to grow.

If I look at the example of how we are doing things in Afghanistan right now, currently the Marine Corps comes under the auspices of CJTF-180. One-eighty comes from when the commander of the 18th Airborne Corps I believe, was the original commander of the first JTF and that is how they got the number for that.

The Marine Corps' contribution to that currently is the 6th Marine Regimental Headquarters, 2nd Battalion, 8th Marines. I have a light attack helicopter squadron over there and a fast company over there.

None of these Marine Corps units is working together with another Marine Corps, currently.

They are working with Army units and I believe that is why the Army has probably struck upon the idea of this modularity.

It is much easier to take these smaller units that can operate somewhat independently, and I think there was a little confusion there earlier today when a brigade will be able to operate by itself, but my understanding from the Army, as General Cody said, we are not going to operate as just the United States Army brigade.

There will be Marines, there will be Air Force.

So, the way we are doing it in Afghanistan currently is the old way, but we have to do it that way out of necessity.

In the future, we will be able to plan, or organize, train and equip better with the Army's modular units. Almost the way in which we are getting ready to do it in Afghanistan, in the Western sector that the Marines are moving in there now.

The Marines also, as one of their major combat elements, will have the first Brigade of the 1st Armored Division working with them for some months.

So, we are getting modular and we are getting to the concept of a unit of employment there, already before we have actually trained up and operate that way.



Mr. SAXTON. Okay. You are both telling me then that the unit of employment is not just a division command structure; it is a way of doing business.

General HULY. That is as I see it from the Marine Corps' perspective yesterday.

General BROWN. Congressman, if I could add a comment.

Garry hit on it earlier when he talked about the Marines have been a deployment force since they have been in existence for 45 years; the Air Force was a garrison force and we fought from home plate.

I was stationed in Europe for almost 10 years and I sat alert at my home station, and I know the enemies are about five minutes away.

We transitioned out of that, after the Cold War came to an end and throughout the 1990's as we brought the Air Force back home, but then we found ourselves more and more deploying out into activities.

We started a transformation then to become an air expeditionary force. And so, the unit of deployment, I would call our AEF.

Now, in a very macro way, that is a big unit of AEF.

But we break that down in and send portions of AEF as needed, by a joint force commander into the areas around the world where it is needed.

And some of that deploys in and then comes back home. Some of that is 24 and 7: some of the space assets and the tanker bridge doesn't move but it is always there.

So, our unit of deployment has transitioned for our Air Force and it is really the AEF construct today that we use and that is how we measure how fast and furious we go.

General MCNABB. Congressman Saxton, if I could add.

As you mentioned the Special Operations Forces, and as mentioned by the Marines, every service required a little bit different in how they employed and the Special Operations Forces were used to be very, basically very small groups that had to be supported by the same Air Force that they are talking about with the Army and the Marines were different as well.

And so what we ought to do is, whoever wanted it, however they were going to deploy, we had to make sure that we folded in with the capabilities that they need.

And from small to larger, and I think these brigade stops are again, think of them being a little bit more independent. Closer to the way the Marines and the Special Operation Forces have done it in the past.

Mr. SAXTON. Thank you very much and thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentleman.

I think he raises a good point.

I have a much better handle on how the Army intends to create these new, formerly brigade, now unit of action, unit of employment, and make him independent, pre-chop stuff out of the division level and vet it in them. Then I do understand exactly how that fits in the jointness.

And that is something we are going to be very interested in, because I think the logical conclusion, and I think I detected a hint



of that in the gentleman's question is that somehow, this is always going to be an Army-commanded thing. And that is hardly joint.

It is an issue as to how those fit in. And we are going to be very interested to follow that.

General Brown, in your statement you make the comment about shaping the force, however, perhaps, most importantly as we shape the force, we want to be sure that we avoid involuntary draconian measures that break faith with our people.

You wanted to find out what those Draconian measures might be?

General BROWN. Yes, sir. Thank you for that question because that is important that we truly understand what that means.

Draconian measures are things that we did back in the early 1990's, we did it in the mid-70's when we came out of Vietnam, where we did reduction in force, the term is RIF.

Another was this SERB, the Selective Early Retirement Boards, where we told people they would retire or we reduced the force by throwing them out before their time and their desire.

We want to avoid SERBs and RIF. What we, in shaping our force, today we are over-strength.

The authorized strength of our airports versus how many actual faces we have onboard? The number of people versus strength, we are a little bit over.

Now, my planner here beside me, my programmer, these only budgeted for \$360,000, so when I have too many faces on board, he looks at me and says, "How can we afford that?" And we turn and ask for supplemental.

Well, in the time of war, we have appreciated that you have come through and helped us with that. But, to be good stewards, we must try to get ourselves back to the authorized strength.

I don't want to have SERBs or RIFs to do that, so we are looking at some cross training opportunities. We are trying to look at the career fields and find there are some overages, and we still have, even with an over-strength situation.

We have career fields that were critically manned that were short.

Okay. So I want to take airman and cross train them from an overage career field into a shortage career field. That is what we are talking about by shaping our force.

And so, that is what we are going to do in the next two years, as we try to be good stewards and come back to our authorized end-strength.

At the same time, we are trying to also analyze what should our force look like in the future, not just live on the old, because as we change our force, we are going to look different in the future.

So, as we look at the capabilities we want to project, and then where do we need blue suitors doing those capabilities?

One of my comments in the written statement has to do with getting the right people in the right places.

So we need to analyze and in the next 12 months we hope to be able to tell you and tell our nation, "This is what our Air Force should look like. Here is where we should have blue suitors doing blue suit work."

And then we will have some work, that is more what I call back shop, and that might be done by civilians or contractors and then we will free up those uniforms to be in those critical career fields. And then we will move people accordingly to go into blue suit positions.

That is shaping our force.

Mr. MCHUGH. Let me try to meld two points and I hope I don't confuse you. And if I do, it is not your fault, it will be mine.

But we talk about shaping the force and if you look in the recent history, you got an end-strength number, 375,000. You are now at 360,000 and you just mentioned that.

If you go back to my question about the metrics as to how do we determine what the adequate size of the force may be to do the various missions and likely, immediate challenges, how did you come to the determination that 360,000 is the right number?

Because if you look at it, your pressure right now, as you just noted is to be up and over and then that is not just creating a vacuum. You are doing things and you require the people to be where you are, even above the 375,000.

So, how do we know that 360,000 is the right answer? What makes you comfortable about that?

And are those the same metrics you would use, as you begin to look into the future, to determine your size and your shape there as well?

General BROWN. Yes, sir, Mr. Chairman. That is the most important question we have to answer I think in the next year or so.

What is the right number? Each one of us needs to be able to tell the nation, certainly Congress, but the nation, what is the right size of each one of our forces.

Of course, the question we have to ask in order to do that is, "What does the Nation expect of the Air Force?" "What do we expect of the United States Marine Corps?"

And as we know this is what is expected; here is the mission that is given to us, then it is our job to go size our Air Force to meet that mission.

And if that mission is a World War III, or is it a major regional contingency, or is it X number of, "We need to know what that mission is" then it is up to us to size ourselves to meet that capability to go accomplish that mission.

I think we know what the mission is, so now it is up to us to size ourselves. I will tell you the number 360,000 is the number we have had historically; it is what is programmed for the future.

But we are trying today to do a capabilities-based study of our force.

And take a look at if we need to open up so many AEFs, have so many bases, they're bases that we open up in some sort of contingency fashion, what does it take numbers of airmen to do that?

How many airmen then, do we need to have to sustain that kind of opening around the world, sustain that back home and add up those? And what do you need to have for support for those airmen?

That is then, how we should analyze what is the size of our Air Force.

And we are in the midst of doing that right now. I can't tell you that the answer is 360,000, because I don't know what the answer is.

Mr. McHUGH. Okay. I would rather hear that than something you are throwing a dart at on a board. I fully understand that.

You can always when you have to, make an estimate, and you have to arrive at a number, but I think anybody who tells you that we know this is the absolute number is either kidding us or kidding themselves or both. I don't know.

But I will tell you, I just got back, 10 days, two weeks ago, approximately from Afghanistan and saw a lot of good Marines doing great work there, gentlemen. And we thank you for that service.

We spent a total of 49 hours on an airplane going over and coming back. Because they say you can't get there from here; spent a lot of time on C-130's.

The Air Guard folks and a lot of them have been out there in a long time. And God bless them, I didn't hear one of them complain.

But, you have to be concerned and I understand the snapshot shows, they are right now, recruiting retention, your numbers are good, but I worry about that.

And there is not even a question there, unless you want to try to respond to it.

I know you are concerned about it as well, but I worry that 360,000 is sufficient to not break the active, but to break the guard and reserve?

We are hearing a lot from governors who are concerned that in the guard situation, in the case of a state emergency, a natural disaster or whatever, they don't have enough guard at their disposal because of the deployment rate.

That is an editorialization. General McNabb, if you want to make a question out of that, I would appreciate it.

General McNABB. Well, Mr. Chairman, I think that is one of the things that we have been very aggressive about is looking at our future total force because that is one of the ways that you can at that 360,000 and then say, "Okay, how do we better shape our guard, reserve, civilian force and the active duty?"

And we have been real aggressive on that and what we found is that we had to reserve associate programs in which we shared airplanes.

So, in many cases, as I grew up in the active duty, I was trained by reserve guys on the weekend, because they had missions on the weekend and I would go fly with them.

So, I am, kind of, used to that kind of the sharing of the assets, if you will.

As we look to the future and the new weapons systems, C-17, FA-22, F-35 and so forth, what we want to do is make sure that we share those in the best possible way: integrated operations.

And again, figure out ways and missions that perhaps the guard reserves are more suited for or to be able to share.

ISR: We talked about Predator, Global Hawk's space, there is a lot of thing that they can do from the states.

And, I was relaying to some of our folks here is when I was at the TACC, Command Tanker Airlift Control Center, our CONOPS,



the guard reserve came and said, "If you can build your concept of ops, so if I have four days of availability on a guy, he can do a mission to Europe and back, as long as he knows he can get back, he will come and volunteer for that. If he has eight days, he can do two or three shuttles.

If he can do two weeks, he just stays out there and just continues to do shuttles. And we bought our air bridge and our tanker bridge to take advantage of what the guard and reserve could do and we could do that without mobilizing.

I would say that we have the same kind of opportunity in some of our new space stuff and our ISR stuff because we have reached back that, in the past, they didn't play a part of.

I will talk about some of our command and control, Area of Command (AOCs) for weapon system and some of those. I think again, are really tailored to the kind of citizen, soldiers we have out there.

But again, if we develop that concept of ops and again as we transform, we have some opportunities that we just don't want to bypass.

And again, that is another way to try to figure out how much do we need in the active force and then how much can we share on a blended way or an integrated way?

Mr. McHUGH. I know, and looking at your charts, you are going to try to get rid of involuntary deployments, beginning in 2005. Certainly that is a great objective.

I appreciate your responses and I want to apologize to my colleague from Tennessee. He has been sitting very patiently there as I am randomly spewing off my thoughts.

So, with my apologies to the gentleman, Mr. Cooper, and I am happy to yield to him. And take all the time you need, Jim.

Mr. COOPER. Thank you.

Don't scare the witnesses like that. I appreciate the chairman yielding.

I want to talk about military to civilian conversions.

According to the committee memo here, in the next fiscal year 2004 and 2005, we have the Marine Corps shifting about 2,100 positions in the Air Force, 4,300 positions.

I was wondering exactly how many conversions you are contemplating in 2004 service.

General PARKS. Sir, I will address that since you started with us.

First, I will tell you that in the 2002 to 2007 time frame, we are already doing before this initiative started 3,019 conversions.

We have 647 that we were already doing this year with a 1,372 that we are going to do in 2005. That will make the 2,000-plus number that you alluded to.

First of all, that money is in the budget, we are planning to do that: have it funded and do that as one of the many vowels that we, of all, just been alluding to here that we use to help us shape the direction for the future and how we free up in our case, free up Marines to do other tasks, that they haven't been able to do in the past.

And again, we have just been talking about; there are multiple needs there.

What is the highest priority, where is the best utilization of them and we have seen some evidence of things that have just grown out



of the Global War on Terrorism: MPs, Explosive Ordnance Demolition people, intelligence people; those kinds of skill sets that we can use them for.

Mr. COOPER. So, in 2004, it is 600,000 or so Marines?

General PARKS. I want to say it is 647,000 this year, or maybe it is more than that with the 647,000 and 1,372 is the 2000 figure. But, we are on track with what the President's budget said in Plans and Budget Division (PBD) 712.

Mr. COOPER. He said the money is in the budget?

General PARKS. It is.

Mr. COOPER. How much money does that take?

General PARKS. Sir, that is \$48 million of 2005 and then it jumps up to \$91 million in 2006.

Mr. COOPER. How about for the Air Force?

General BROWN. Sir, we are on track with PBD 712 and I want to say we have around 2,000 going to 4,700 over the next 3 years. It is in the budget.

I don't know what that is, my programmer friend might know.

General McNABB. In the neighborhood of \$400 million is kind of what—

Mr. COOPER. What sort of positions is each service converting?

General BROWN. It is not necessarily one-to-one, but in some cases, some career fields it might be. But mostly administrative, what again, I call "back shop".

I tell you the personnel perspective we are going to convert would have been personnel military positions to a civilian or possibly contract out.

Certainly places and agencies that are not war-fighters, they are not going to go into the front, then they are first to become MIL-CIV conversions.

So, we are taking a look at that and trying to use what we call, analysis of our core competencies. There are three things that are core.

Mr. COOPER. Could you be more specific to the committee, perhaps in writing exactly which positions you are thinking of converting?

General BROWN. Yes, sir, we can certainly do that.

[The information referred to can be found in the Appendix beginning on page 580.]

Mr. COOPER. Because it is one thing to liberate a Marine from a typewriter, it is another thing to consider some of these other positions.

You mentioned, General, shaping the force.

I think what would strike the average citizen is curious that the military is so interested in using its emergency powers to boost end-strength, when arguably there is not really an emergency.

We have time to discuss these things and figure out whether 360,000 is the right number of needs to be adjusted.

And I appreciate your honesty in admitting that we don't really know if it is the right number. It is just an historic number, it is a round number.

Neither of those indicates, necessarily, the right number. And temporarily at least, 375,000 seems to be a better number, that is why you have used your stop-loss authority.

So, on the one hand, we are using emergency power in a non-emergency situation and yet, when it comes to funding our troops in the field, in Iraq and Afghanistan this fall, we are not using our power even to request a supplemental to fund their valiant service in the field, which arguably, is an emergency.

But none of us wants to see our troops shortchanged or to see various accounts raided as we scotch tape together a budget to support our troops in the field.

I realize it is theoretically possible to support our men and women in uniform for months without clear supplemental budgeting, but why go through that exercise?

So, isn't this a curious situation? We are not even bringing up a supplemental to fund our troops in Iraq and Afghanistan. Congress would vote for it, let's go ahead and bring it up now.

The Office of Management and Budget (OMB) director has already given us a round number of \$50 billion and that is ballpark. If it is more, we will pay for that, if it is less, maybe you will give us a refund.

But this is a curious situation we are in.

We have 120,000 men and women in the field, and we know the money is going to run out at the end of the fiscal year, and what do we have to offer them: the promise that we will raid every account in the Pentagon to fund their activities.

Is that a proper way to run the greatest military in the history of the world?

General McNABB. Sir, I will take this, unless somebody else wants to jump in there, I would say that the fact that we have the 2004 supplemental very early and we got that and as we looked to the future, our best shot at what 2004 was going to take and getting that out to the field has paid big dividends for us.

I am not sure that we have an hourglass that foresees the future, from our standpoint, and as I said, that eventually as we look at operations, we are not in the same position as the other services, but as we look at it, certainly we will come forward and ask for that.

We are not sure, our crystal ball doesn't tell us that right now, on the Air Force side, so what we would say is that we appreciate the support in 2004, got it out to the field and that was our best shot.

But we really don't know how the events are going to unfold in Iraq, and so, that would be my best answer for you.

Mr. COOPER. But you know it is not free and implicitly when we ask for nothing, we are assuming it is free, because none of this money is in the President's budget.

So, that assumes that the cost is zero and we know that is not true.

So, why can't we be straightforward and have a good estimate of the costs and go ahead and fund that, so there is no risk of running out of money and no need to raid accounts in the Pentagon come the end of the fiscal year?

Mr. MCHUGH. I think the gentleman has made his point. And the gentleman understands these are not the folks who make those decisions.

His question has been posed to the Secretary of Defense and the service chiefs, who do make those decisions and they have answered it, believing pretty much, as General McNabb did, that they didn't want to make a request until the actual numbers were before them.

But the gentleman is right, \$50 billion: that is probably going to be about what it is.

With all due respect and these gentlemen could respond certainly, but that is not their decision to make. But the gentleman makes his point well, as he makes all his points well.

The gentleman have any further questions?

Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman.

Just a quick question for our two Marines there.

And this is my ignorance, how do you all handle civil affairs? There are a number of troops that are now in Iraq and you are having to settle civil affairs function. How do you do that?

General HULY. Yes, sir. Great question.

We have three civil affairs groups in the Marine Corps. We use civil affairs; they are all embedded in the reserves currently. One of them stationed right here in Washington D.C. as a matter of fact.

Our civil affairs are more geared toward tactical civil affairs groups.

We don't have the capability nor the requirement to go out and help a country reestablish its banking system; however, we do have the capability for the local businessmen, for instance, in a city like Fallujah, to be able to help reestablish their business.

That is the type of an individual that we attract into our civil affairs groups that capable of doing that and that is what our civil affairs are designed to do.

Tactical level civil affairs: we have ridden these folks pretty hard and we are getting a great deal of use out of them, especially with our current deployment coming up in Iraq.

We have no shortage of volunteers to participate in this endeavor and that is the way our tactical employment of civil affairs goes.

Dr. SNYDER. Thank you.

And General Brown, maybe just more of just a comment that I will make and you can respond any way you want.

You made the point, I think, in talking with the chairman about this issue of sizing and the size for the future and I am trying to think, and I may be a little off base with what I say, but to me, I am not as concerned about sizing as I am what you do, as you are looking ahead to the future.

Let's suppose 10 years from now we decide we need 8,000 people who operate UAVs because we have a fleet of 2,000 UAVs there and the fighter pilots are longing for the good old days when they flew fighters.

You know what I am saying?

Looking ahead to the future, I am not going to lose much sleep if we happen to have 1,000 too many or 1,000 too little.

I am more concerned that we make the right decisions that that is what we need. And that is getting back to Mr. Cooper's question, which I frankly think is very appropriate for this discussion here.



I think that I get concerned if things are not properly done through their normal system of authorizations and appropriations.

That this is more than just a sizing issue; as Secretary Rumsfeld said, "This is the most important transformation that has occurred in the last half century," in terms of the military.

So, I think you would agree that it is——

General BROWN. Congressman Snyder, I think you are exactly right: it is more about getting the people doing the right things than it is what size.

Dr. SNYDER. And the right thing is not just the right thing with what is going on in Iraq and Afghanistan, it is the right thing with what is happening 5 and 10 and 15 years down the road.

General BROWN. For the future, absolutely.

Dr. SNYDER. Thank you, Mr. Chairman.

Mr. MCHUGH. I would just make the point, because I would not want my colleague from Tennessee to think I was categorizing his question as inappropriate, because it is not.

I just meant to suggest that these gentlemen don't make those decisions and it is a very appropriate point to make and an appropriate point of discussion. I agree.

And you didn't say it wasn't, I just wanted to make that clear.

Dr. SNYDER. But if I might, sir, but I think these are the folks who will deal with the fact and which I think Mr. Cooper was getting at, somebody is going to come in and say, "You need to find \$4.9 million a month for the however many months."

Now, General Brown is not going to have to find \$4.9 million, but they are going to be the ones that make the decision whose hide this comes out of.

So, I think that that is part of this discussion that a fair number of members are concerned about, about this being outside of the normal authorization process.

Mr. MCHUGH. If that were the question, maybe we would have a different issue, but it wasn't.

Gentlemen, we are going to dismiss the panel because we have votes and the second bell has rung and some of us are old and we need every second to get over there.

But, I do thank you.

As I indicated for the first panel, there may indeed be folks who want to submit written questions for the record. We would appreciate your assistance and cooperation should that happen.

But in the meantime, thank you so much for being here and spending an afternoon with us. We appreciate it and greatly value your service and look forward to working with you.

With that, I will adjourn the subcommittee until our next hearing next week.

[Whereupon, at 5:22 p.m., the subcommittee was adjourned.]



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# **A P P E N D I X**

MARCH 10, 2004

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**PREPARED STATEMENTS SUBMITTED FOR THE RECORD**

MARCH 10, 2004

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**Opening Remarks – Chairman McHugh  
Total Force Subcommittee Hearing  
Adequacy of the Force**

10 March 2004

This subcommittee for several years has had deep concerns about the inadequacy of military manpower levels to meet the full range of requirements of the nation's military strategy. Given those concerns, we have moved in each of the last two years to increase active manpower authorizations over the levels requested in the budget. Furthermore, we have also urged the Department of Defense and the military services to finish the numerous manpower-related study and analyses efforts and get on with the business of implementing changes to address the glaring shortfalls of military capability, force structure and manpower.

I guess the adage "Be careful of what you wish for" is an appropriate one today. We asked, pushed and prodded DOD and the military services to begin the process of change and, as will be evidenced by the testimony today, there has been an explosion of change across the services. It is staggering both in scope and complexity given the context in which it will have to take place.

That context today, and for the foreseeable future, is that each of the military services is simultaneously being required to carry out four different missions:

- 1) Fight the Global War on Terrorism, which in part has become a challenge to sustain (over an extended period) a deployed force in excess of 100,000 personnel;
- 2) Reset and reconstitute forces returning from Iraq and Afghanistan and maintain the readiness, capability and manpower to perform the full range of military functions – other than the Global War on Terrorism – required by the national military strategy;
- 3) Shed Cold War processes and structure and transform itself to meet current and future requirements; and,
- 4) Sustain the viability of the all-volunteer Total Force (active, guard and reserve) in a wartime environment that portends high operations and personnel tempos for years to come.

Furthermore, in the case of two of the military services – the Navy and the Air Force – efforts are underway to reduce manpower levels.

To successfully achieve change within the isolated context of any one of the requirements above would present significant challenges for a service. Attempting successful change while doing all these missions simultaneously will be an exceedingly difficult undertaking.

Indeed, the subcommittee's intent during this hearing is to examine service proposals for change and reform that impact all these requirements. We want to assess not only what changes each service is undertaking, but also how well the services are progressing. Clearly the subcommittee is concerned with assessing the adequacy of the current and future programmed military manpower and force structure in the Total Force (active, guard, and reserve) to provide and sustain the full range of capabilities required by the national security strategy.

Ultimately, the subcommittee will have to make decisions about supporting or modifying the various service and DOD manpower initiatives, so today's hearing is an opportunity for the joint staff and the service witnesses to sell us on why their plans make sense for improving the adequacy of our military services.

Before introducing the first panel or witnesses, let me offer Dr. Snyder an opportunity for any opening comments he might wish to make.

**INTRODUCE PANEL 1 WITNESSES:** I welcome our first panel of witnesses who will present the Joint Staff, Army and Navy perspectives.

**Lieutenant General James E. Cartwright, USMC**  
 Director of Force Structure, Resources and Assessment (J8)  
 Joint Chiefs of Staff

**Lieutenant General Richard A. Cody**  
 Deputy Chief of Staff, G-3  
 Headquarters, Department of the Army

**Lieutenant General Franklin L. Hagenbeck**  
 Deputy Chief of Staff, G1  
 Headquarters, Department of the Army

**Vice Admiral Kevin P. Green**  
 Deputy Chief of Naval Operations for Plans, Policy and Operations  
 Headquarters, Department of the Navy

**Vice Admiral Gerald Hoewing**  
 Chief of Naval Personnel and Deputy Chief of Naval Operations for  
 Manpower and Personnel  
 Headquarters, Department of the Navy

I believe that this is the first opportunity for most of you to testify before this subcommittee, although I have met and worked with several of you in other contexts. I want to welcome you all, especially General Hagenbeck, who is a good friend and an outstanding soldier. Our relationship stems from his days as commander of the 10<sup>th</sup> Mountain Division at Fort Drum. He was a great commander there and I expect we will find him to be a superb G-1 for the Army.

General Cartwright, as the one Joint Staff representative, you may begin.



**INTRODUCE PANEL 2 WITNESSES**

**Let me introduce our second panel of witnesses who will provide the Air Force and Marine perspectives.**

**Lt. Gen. Duncan J. McNabb**

Deputy Chief of Staff, Plans and Programs  
Headquarters, Department of the Air Force

**Lt. Gen. Richard "Tex" Brown**

Deputy Chief of Staff for Personnel  
Headquarters, Department of the Air Force

**Lt. Gen. Jan C. Huly [Hew-lee]**

Deputy Commandant for Plans, Policies and Operations  
Headquarters, United States Marine Corps

**Lt. Gen. Garry L. Parks,**

Deputy Commandant for Manpower and Reserve Affairs  
Headquarters, United States Marine Corps

**Two of these fine officers (General Parks and General Brown) are "old pros" in regard to their experience with this subcommittee. I heartily welcome them back.**

**As newcomers to the subcommittee, General Huly and General McNabb, I hope you will find the experience rewarding enough to want to come again.**

**General McNabb, you may begin.**

**STATEMENT OF THE  
HONORABLE VIC SNYDER**

**HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE**

**ADEQUACY OF THE TOTAL FORCE**

March 10, 2004

Thank you, Mr. Chairman. Let me join you in welcoming our witnesses from the services and the joint staff. I expect that this will be an interesting and dynamic hearing since we will receive both the operational command and the personnel chiefs' perspectives on the adequacy of the forces.

But, I want to take a moment to remind everyone, that Article 1, Section 8 of the Constitution of the United States of America gives Congress the authority "to raise and support Armies" and the "provide and maintain a Navy." The responsibility to ensure that the nation has the Armed Forces that we need is Congress'.

As members of the House Armed Services Committee we take this responsibility seriously, which is why we have asked all of you here so that we can learn more about how the services are planning to meet current operational requirements, as well sustaining current and future missions in the long-term.

While all the services are looking at transformation is some way. The Army, in particular, has indicated sweeping changes as part of their transformation.

The Army proposes to rebalance their active and reserve component mix structure, convert military positions to civilian or contractors personnel, increase their combat capability from 33 brigades to 43 or 48 brigades, moved to a unit based personnel management system from a individual based system, and promote longer tours at one location compared to moving every couple of years.

And, they proposed to do all of this while fighting insurgents and maintaining and promoting peace in Iraq and fighting terrorists in Afghanistan—and only *temporarily* increasing their end-strength by 30,000 under an annual emergency authority given to the President.

The Air Force also has a significant transformation proposal. They too are changing their active and reserve component mix, converting military to civilian positions, revising their combat wing organization, and further integrating their active and reserve through the establishment of blended units.

And, they proposed to do all of this while still providing support in Iraqi and Afghanistan—and in the meantime will also

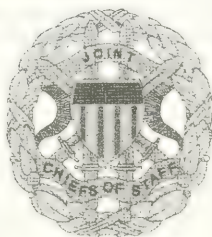
eliminate 16,000 active duty personnel in order to return to their authorized active end strength.

While the Marine Corps faces similar transformation challenges, the concern is their ability to sustain a long-term commitment in Iraq and the effects such a commitment would have on their forces and their ability to respond to future threats.

We need to understand the effects these personnel decisions will have on the operational requirements and, just as importantly, how operational decisions have an impact on personnel policies and programs.

Thank you, Mr. Chairman. I look forward to hearing for our witnesses.





**STATEMENT OF**

**LTGEN JAMES E. CARTWRIGHT, USMC**

**DIRECTOR FOR FORCE STRUCTURE,**

**RESOURCES AND ASSESSMENT**

**BEFORE THE**

**TOTAL FORCE SUBCOMMITTEE**

**OF THE**

**HOUSE ARMED SERVICES COMMITTEE**

**ON**

**ADEQUACY OF THE TOTAL FORCE**

**10 MARCH 2004**

Mr. Chairman, distinguished members of the Total Force Subcommittee, thanks for the opportunity to appear before you today. I am here today to discuss the adequacy of the Total Force to achieve the missions assigned in the Defense Strategy. Specifically, I will address your concerns about the adequacy of the force by describing the variety of initiatives underway that will enable the Department to better sustain the current level of global commitments.

### **Defense Strategy**

The Defense Strategy, developed in consultation with the Combatant Commanders and Service Chiefs, requires that the Department maintain the capabilities to conduct military operations to protect the United States, prevent conflict or surprise attack, and prevail against adversaries. The Strategy requires capabilities to defend the US homeland and deter forward in four critical regions. If required, we must be able to defeat the efforts of two adversaries in an overlapping timeframe, while maintaining the capability to "win decisively" in one theater. In addition, we must be able to conduct a limited number of lesser contingencies while maintaining a generation capability to hedge against future challenges and uncertainty.

### **Global Engagement**

As you know, our Joint Forces are globally engaged in the prosecution of the Defense Strategy and the Global War on Terror. A significant number of forces remain committed to on-going operations in Iraq and Afghanistan. We still have forces in Kosovo, Bosnia, and in support of the Multi-national Forces in the Sinai. Forces are conducting forward deterrence roles in the Pacific and Europe. Additionally, forces participate in operations in South and Central America. And, we recently committed forces to a multi-national effort in Haiti.

### **Total Force Capable of Prosecuting the Defense Strategy**

I know there is significant Congressional concern about the adequacy of the force to sustain our current level of global engagement. Our force is adequately sized to achieve the missions assigned in the Defense Strategy and sustain the current level of engagement. However, we must reorganize our force in order to mitigate risks associated with sustaining our current level of global commitment. A number of initiatives are underway to mitigate these risks and enable the Department to sustain commitments while simultaneously reducing stress on the force.

### **Force Modularization for the Rotation Base**

The modularization of the Army will increase the number of available combat brigades. Modularization is the Army's reorganization from three to four

combat brigades per division. More importantly, all the brigades will be organized similarly to achieve force interchangeability. Reserve Component brigades will modularize as well. Together, this will significantly increase the number of interchangeable forces available in the Army's rotation pool, and reduce stress on both our Active and Reserve forces.

Another benefit of Army modularization is reduced reliance on the Reserve Component. More available Active brigades reduce dependence on the Reserve Component. These changes will facilitate better use of the Reserve Component by increasing both predictability and lead-time of call-ups. In a similar manner, the other Services are organized to create a robust pool of interchangeable forces. The Air Force will continue to use its Air Expeditionary Force construct to manage its rotation base. The Marines are re-organizing around Expeditionary Strike Groups. The Navy will form Expeditionary Strike Forces to better manage its rotational base.

### **Temporarily Add More End Strength**

The emergency endstrength authorizations approved by the SecDef will mitigate force management risks during the transformation of the Army combat forces. Under emergency authorities, the Department of Defense has increased active force levels by approximately 36,000 above the pre-emergency authorized end strength. As of February 2004,

- The Army is up ~ 11,000 above authorized end strength;
- The Air Force is up ~ 17,000 above authorized end strength;
- The Navy is up ~ 6,000 above authorized end strength;
- The Marine Corps is up ~ 2,000 above authorized end strength.

These temporary authorities reduce stress on the force. Additionally, the authorizations reduce transformation risk while increasing flexibility of the force to respond to uncertainty. However, as the other efforts to reorganize the forces take effect, it is unlikely that these temporary authorizations will be required to sustain global commitments. As one would expect, the Navy and Marine Corps anticipate returning to authorized end strength levels by the end of the FY04. The Air Force expects to maintain the emergency strength levels through FY06. The Army expects to maintain its emergency strength levels through FY07-08.

### **Rebalancing the Active / Reserve Component Mix**

The Services are taking a number of other actions to reduce stress on the force while sustaining the current level of global commitment. Beginning in FY04-05, the Services will realign the AC/RC mix of forces. Generally, they will move force structure from high-density, low-demand capabilities (e.g.—air defense and artillery) into high-demand capabilities (e.g.—military police and civil affairs). This realignment will increase the availability of required individual and unit capabilities. It will also reduce stress on the force while facilitating

operations at the current level of global engagement.

The Department's cohesive rebalancing strategy has already resulted in about 10,000 changes in military spaces both within the Active and Reserve Components to address stressed career fields in fiscal year 2003, and about 20,000 more in fiscal year 2004. The fiscal year 2005 budget supports about an additional 20,000 changes as well.

The following is a breakdown of specific fiscal year 2005 Service rebalancing initiatives. The Army is converting 12,000 spaces to improve early responsiveness in the transportation, quartermaster, medical and engineer career fields. Conversions will also reduce stress in the military police, special operation forces, and intelligence capabilities. The Navy is converting 1,000 spaces to reduce stress in security forces. The Marine Corps is converting 3,000 spaces to reduce stress in Air Naval Gunfire Liaison Companies, security forces, and intelligence career fields. Finally the Air Force is converting 4,000 spaces to reduce stress in security forces, aircrews and maintenance career fields.

Additional plans across the FYDP include further conversions and major rebalancing efforts involving over 80,000 spaces to improve readiness and capabilities. In total, the Services plan to rebalance about 100,000 spaces in fiscal years 03-09.

### **Military Performing Core Competencies**

Sustained operations tempo at the current level of global engagement requires the Department of Defense to focus on core competencies, make maximum use of human resources, and ensure military personnel are used to perform tasks that are "militarily essential." Therefore, in FY04, the Services will begin the conversion of 10,000 military positions to civilian or contractor positions:

- Army converts 5,578;
- Air Force converts 1,792;
- Navy converts 601;
- Marines convert 2,029.

The Services will begin efforts to convert an additional 10,070 military positions to civilian or contractor positions in FY05. These efforts will make more military personnel available to perform military tasks.

### **Conclusion**

The Total Force is adequately sized to achieve the missions assigned in the Defense Strategy at the current level of engagement. However, we need to complete a number of re-organization initiatives to enable the Total Force to maintain this level of commitment over the long-term. Army modularization will increase the number of available combat brigades. This will not only facilitate maintaining the current level of commitment with reduced stress on



the force, but also reduce reliance on our Reserve Component. The emergency endstrength authorizations mitigate force management risks while the Total Force completes the reorganization initiatives.

Mr. Chairman, thank you for the opportunity to appear before you today. I am pleased to respond to questions.

**STATEMENT BY**

**LIEUTENANT GENERAL RICHARD A. CODY  
DEPUTY CHIEF OF STAFF, G-3  
UNITED STATES ARMY**

**AND**

**LIEUTENANT GENERAL FRANKLIN L. HAGENBECK  
DEPUTY CHIEF OF STAFF, G-1  
UNITED STATES ARMY**

**BEFORE THE**

**TOTAL FORCE SUBCOMMITTEE  
ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES**

**SECOND SESSION, 108<sup>TH</sup> CONGRESS**

**ON THE ADEQUACY OF THE TOTAL FORCE**

**MARCH 10, 2004**

**Lieutenant General Richard A. Cody**  
**United States Army**  
**Deputy Chief of Staff, G-3**

General Cody assumed the position of Deputy Chief of Staff, G-3 on August 12, 2002.

General Cody was born in Montpelier, Vermont, on August 2, 1950. He was commissioned a second lieutenant upon graduation on June 6, 1972, from the United States Military Academy. His military education includes completion of the Transportation Corps Officer Basic and Advanced Courses; the Aviation Maintenance Officer Course; the AH-1, AH-64, AH-64D, UH-60, and MH-60K Aircraft Qualification Courses; the Command and General Staff College, and the United States Army War College. General Cody is a Master Aviator with over 5,000 hours of flight time and is an Air Assault graduate.

He has held a wide variety of command and staff positions culminating as the Deputy Chief of Staff, G-3. Other key assignments recently held include Commanding General, 101st Airborne Division (Air Assault) and Fort Campbell, Director, Operations, Readiness and Mobilization, Office of the Deputy Chief of Staff for Operations and Plans, Headquarters, Department of the Army; Deputy Commanding General, Task Force Hawk, Tirana, Albania; Assistant Division Commander for Maneuver, 4th Infantry Division, Fort Hood, Texas; Commander, 160th Special Operations Aviation Regiment, Fort Campbell, Kentucky; Commander, 4th Brigade, 1st Cavalry Division; Aide-de-Camp to the Commanding General, Combined Field Army, Korea; and Director, Flight Concepts Division.

General Cody has served several tours with the 101st Airborne Division (Air Assault) as Commander, 1st Battalion, 101st Aviation Regiment (Attack) during Operation Desert Storm; Aviation Brigade Executive Officer, 101st Aviation Brigade; Battalion Executive Officer and Company Commander in the 229th Attack Helicopter Battalion, and Battalion S-3 in the 55th Attack Helicopter Battalion. He served as a Platoon Commander in the 2nd Squadron, 9th Cavalry and A Company (Attack), 24th Aviation Battalion and as Commander, E Company (AVIM), 24th Infantry Division (Mechanized), Fort Stewart, Georgia.

Awards and decorations which General Cody has received include the Distinguished Service Medal, Defense Superior Service Medal, the Legion of Merit (with 4 Oak Leaf Clusters), the Distinguished Flying Cross, the Bronze Star Medal, the Meritorious Service Medal (with 4 Oak Leaf Clusters), the Air Medal (with numeral device "3"), the Army Commendation Medal (with 2 Oak Leaf Clusters), the Army Achievement Medal, the Southwest Asia Service Medal (2 battle stars), the Humanitarian Service Medal, the NATO Medal, and the Southwest Asia Kuwait Liberation Medal.

He and his wife Vicki have two sons: Clint, a captain in 3d Battalion, 101st Aviation Regiment (Attack), and Tyler, a first lieutenant in 1st Battalion, 101st Aviation Regiment (Attack) both of who recently returned from Iraq.

**STATEMENT BY  
LIEUTANANT GENERAL RICHARD A. CODY and  
UNITED STATES ARMY  
AND  
DEPUTY CHIEF OF STAFF, G-3  
LIEUTENANT GENERAL FRANKLIN L. HAGENBECK  
DEPUTY CHIEF OF STAFF, G-1**

## **Introduction**

Chairman McHugh, Congressman Snyder, distinguished members of the committee, we appreciate the opportunity, and it is our privilege today to appear before you to discuss the Army's plan to meet our current sustained engagements around the world, while simultaneously transforming to a more flexible, capable, joint and expeditionary force.

We thank the members of the committee for their continued outstanding support to the men and women in uniform who make up our great Army. Soldiers in Iraq, Afghanistan, Korea and in 120 countries around the world, remain committed to meeting the requirements of our national security strategy.

## **Current Posture**

Since 9-11 our Army has been decisively engaged executing the global war on terrorism at home and abroad. Almost every active component division has been deployed or will deploy to Operation Iraqi Freedom or Operation Enduring Freedom by the end of FY 04. Our reserve component has been equally engaged with a cumulative mobilization of 46% of the total Army reserve component since September 2001.

During the current transition of forces for Operation Iraqi Freedom and Operation Enduring Freedom, eight of the Army's 10 active division and more than 120,000 reserve component Soldiers will be moving in and out of the Central Command theater in Iraq and Afghanistan. This massive transition of forces is the largest movement of our forces since World War II. It has involved seamless coordination with our Joint partners from the United States' Air Force, Navy and Marines and has optimized the capacity at our 15 CONUS based power projection platforms and 12 power support platforms.

Our Nation and our Army are at war. Our active worldwide commitments have highlighted stresses to our forces that have existed for some time. To mitigate risk the Army has embarked on a series of initiatives. We are here today to address several of these initiatives.



First is the internal rebalancing of both our active and reserve component forces, to improve the Army's strategic flexibility to meet our current and future global commitments. The second is the modular reorganization of our formations that will increase the number of combat brigades. The third initiative is force stabilization, which will reduce turbulence in our Army as a whole, and make life more predictable for our Soldiers, units and their families.

These initiatives will yield a ready an accessible Army with the right mix of forces that is strategically flexible to respond to any future challenge.

### **Rebalancing the Army**

Being an Army at war provides focus and insight as we rebalance and reset to meet the challenges of the emerging operational environment. We no longer need the massive heavy force structure of the cold war, nor will the next war be fought just like the last. We must provide the Nation with full-spectrum ground combat and support capabilities that can defeat an adaptive enemy. To enhance our ability to prosecute the global war on terrorism and fully resource high-demand capabilities like military police and special operations forces, we are restructuring over 100k spaces in our active and reserve component structure.

The challenge within the force structure has not necessarily been that we have too few soldiers, it has been the ability to take a "Cold War" structured force, and transform it to a force that matches the skill and unit sets required to execute the global war on terrorism and other operations, swiftly, and on a sustained basis.

While the Army has been rebalancing for years, after 9-11, we accelerated the process considerably to alleviate the stress placed on the high-demand units. In compliance with the Chief of Staff's guidance to avoid involuntary mobilizations within the first 30 days of a contingency, resource high demand units, and reduce under-resourced Reserve Component force structure, we began planning over 80K in force structure rebalancing actions in 2003. We are in the final planning stages for these changes, which will be implemented between 2005-2008.

### **Modularity**

Parallel with rebalancing the Army, we are creating a brigade-based modular Army to enhance responsiveness and increase our joint and expeditionary capabilities. Webster's defines modularity as, "composed of standardized units for easy construction or flexible arrangements". Although this may seem to be an over simplification of what the Army is doing, it is precisely the concept.

The modular Army, will be comprised of brigades or units of action established as the basic maneuver module for the Army. The units of action will be smaller, flexible, and self-contained units that are full-spectrum capable.

With modularity our war-fighting capabilities will increase from 33 active component brigades to 43 modular active component brigade units of action. At the same time, we will restructure our Army National Guard to provide 34 brigade units of action, including a Stryker Brigade and a higher density of infantry forces more suited to homeland defense, stability operations, and a variety of other missions. Based on the Army's future level of deployments, and the Geostrategic situation, a decision may be made to increase to 48 active component brigade units of action. Creation of additional brigade units of action will not only preserve our capability to execute the National Security Strategy, but will also provide the strategic flexibility and rotation base necessary to conduct and sustain critical stability and support operations. As the Chief of Staff stated, "We're making very serious moves to modularize the Army, standardize the Army, developing an Army that's more lethal, more agile, more capable of meeting the current and future operating environment."

Simultaneous efforts are also underway to modularize and transform Army Aviation, Combat Support, and Combat Service Support formations to increase flexibility, capabilities, and to decrease logistical support requirements. We are also working to de-layer headquarters structure to increase responsiveness and to meet joint and combined command and control requirements. The sum of our maneuver, support, and headquarters restructuring will be a force with improved interchangeable capabilities, the ability to simultaneously project combat power from our CONUS and OCONUS bases, and headquarters that can be rapidly configured to provide command and control for joint and coalition forces.

The Chief of Staff has approved the initial modular design of the 3d Infantry Division and their transformation is already underway. Following a rigorous train-up, to include rotations through our combat training centers at Fort Polk, Louisiana and Fort Irwin, California, the division will be trained and ready in its new configuration for potential deployment anywhere in the world as early as the 1<sup>st</sup> quarter of fiscal year 2005.

### **Force Stabilization**

Today's volunteer Army is engaged at a pace unseen since the end of the draft 30 years ago. The challenges associated with current operational requirements place significant stress on our existing forces, both active and reserve. The approval of a temporary authorized strength

increase affords us the opportunity to implement permanent changes aimed at mitigating the stress on the force. Paramount to this effort is increasing our organizational capability through force stabilization.

Force stabilization will consist of two complementary strategies, home basing and unit focused stability. Under the home basing strategy, soldiers will remain on their initial installation for six to seven years, well beyond the current three-year average. Their professional education will be conducted as "attend and return" courses reducing the challenges facing Soldiers and their families when they permanently change station (PCS) to a new installation and attend these courses enroute. The second strategy, unit focused stability, will allow Soldiers to arrive, train and serve together for roughly 36 months. This initiative will enhance unit cohesion, improve training effectiveness and create more deployable, combat-ready units. During the unit's operational cycle, Soldiers can expect to complete an operational deployment rotation of 6 to 12 months.

These initiatives will enhance unit readiness and cohesion while improving the quality of life for our Soldiers and their families.

### **Future Focus**

The Army and Office of the Secretary of Defense continue to work to relieve the stress on the force through a range of ongoing initiatives that make better use of our current forces and improve long-range readiness. The Army is focused on restructuring and stabilizing the force and creating highly capable and deployable modular units. To accomplish this, the Army will temporarily exceed authorized strength by up to 30,000 soldiers in Fiscal Years 2004-2007. Part of restructuring includes a plan to civilianize up to 15,000 military positions. We are planning on returning to 482,400 Soldiers by the end of FY09. Included in an Annex to this statement are a series of charts that lay out Army force trends as requested by the committee. The 30k increase in strength results from emergency authorities Congress has provided the Secretary of Defense. It is not a permanent increase, but authorized for the duration of our national emergency. As this increase occurs over the next few years, we will continue to seek ways to resource high demand units, improve capabilities, and make the most effective use of soldiers within existing Army strength.

These measures will ultimately reduce risk and better posture the Army to provide the capabilities required by the Nation. The Army's ability to respond rapidly will be enhanced by rebalancing our early deploying capabilities, repositioning our forces around the globe, and reconfiguring our pre-positioned equipment stocks. We will increase our infantry, military police, special operations, and other high demand forces that support Homeland Defense and the War on Terror. At the same time, we

will retain a considerable capability to fight and win major combat operations.

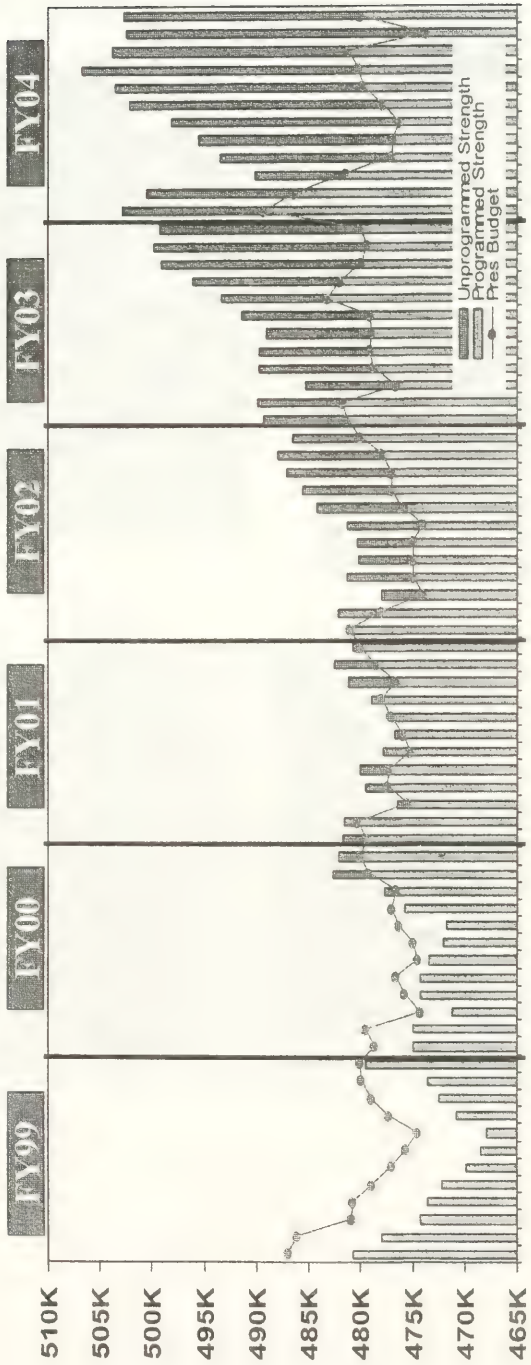
In conclusion, the end result of these and other ongoing transformation initiatives is increased capability across the entire spectrum of operations. Increasing the active component by approximately 6% provides the necessary headroom to restructure the Army while at war. This temporary increase provides the depth necessary to continue to meet operational requirements while simultaneously stabilizing and restructuring the total force. This creates an Army that is more ready and relevant for the future.

Thank you Mr. Chairman for the opportunity to address the committee. I look forward to your questions.





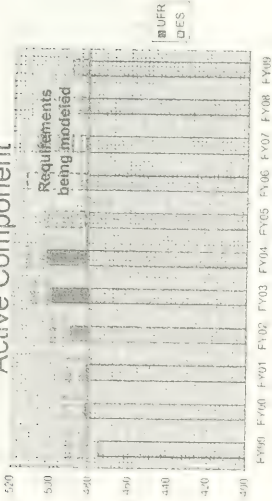
# Active Army Strength (FY99-04)



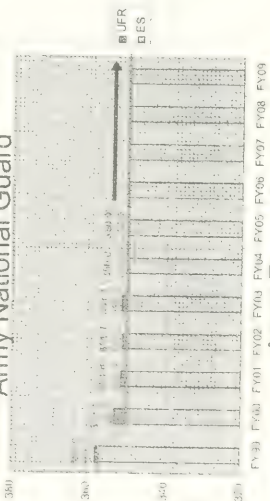


# Active Strength, UFR and Budget Comparison

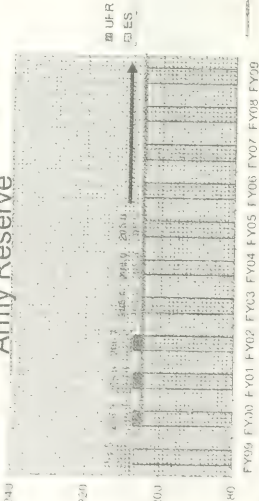
## Active Component



## Army National Guard

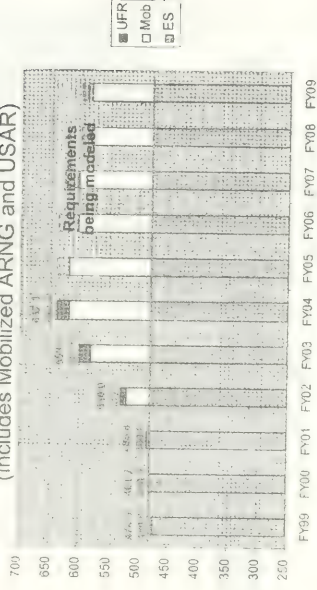


## Army Reserve



## Active Duty Status

(Includes Mobilized ARNG and USAR)

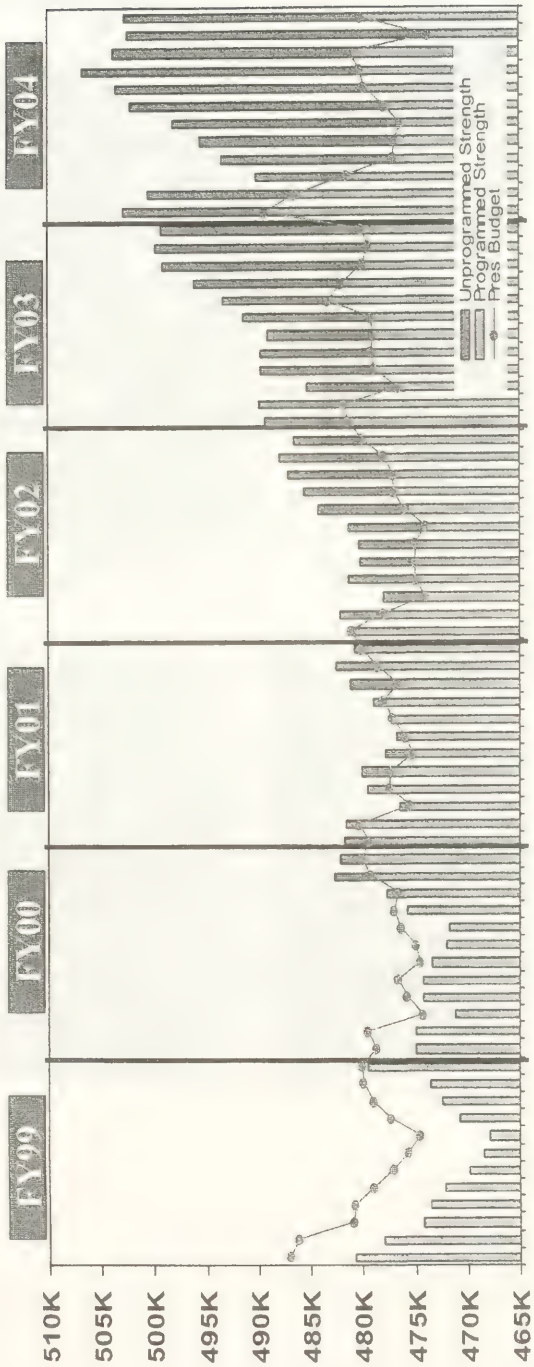


- Blocks shown as UFR and Mobilized were not included in the Army Program and are funded by Supplemental Appropriations.
- Reserve forces mobilized in active duty status as of 25 Feb 04 totaled 155,028
- Guard and Reserve charts do not reflect Reserve forces mobilized for GWOT
- Requirements beyond FY04 being modeled

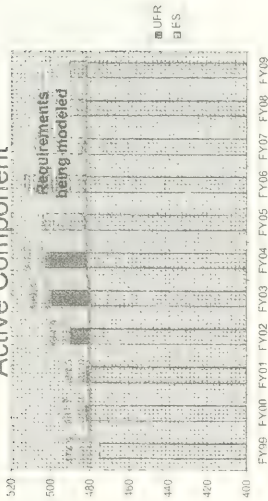
Redline indicates FY05 President's Budget levels



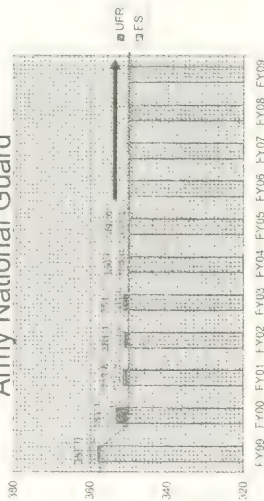
# Active Army Strength (FY99-04)



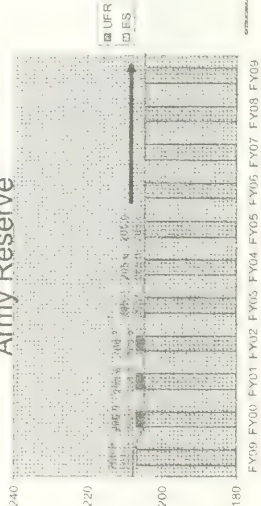
## Active Component



## Army National Guard

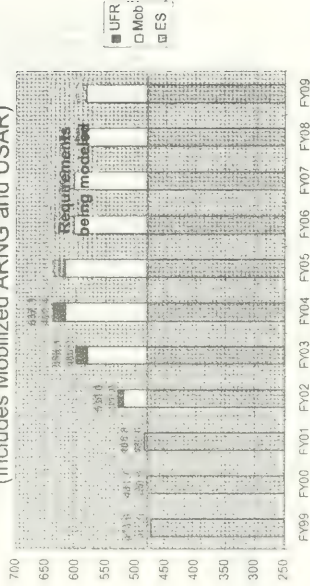


## Army Reserve



# Active Strength, UFR and Budget Comparison

## Active Duty Status (Includes Mobilized ARNG and USAR)



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Redline indicates FY05 President's Budget levels



**STATEMENT OF**  
**VICE ADMIRAL GERALD L. HOEWING, U.S. NAVY**  
**CHIEF OF NAVAL PERSONNEL**  
**AND**  
**DEPUTY CHIEF OF NAVAL OPERATIONS**  
**(MANPOWER & PERSONNEL)**  
**BEFORE THE**  
**SUBCOMMITTEE ON TOTAL FORCE**  
**OF THE**  
**HOUSE ARMED SERVICES COMMITTEE**  
**ON**  
**ADEQUACY OF THE TOTAL FORCE**  
**10 MARCH 2004**

## Introduction

Mr. Chairman and distinguished members of this subcommittee, thank you for this opportunity to appear before you again this year to apprise you of our recent successes and ongoing efforts in pursuit of optimum personnel readiness within the world's finest Navy.

On behalf of the men and women of the United States Navy, I would like to express our collective gratitude for your exceptional and sustained support in ensuring we have the right people, both in number and quality, as well as the proper tools necessary to correctly man our current and future Naval forces. Your continuing support of initiatives that provide high quality of service and quality of life for Sailors and their families is among the most influential factors in our success in recruiting the very best young men and women this nation has to offer, and in our subsequent ability to retain them in unprecedented numbers in an all-volunteer force during a time of war. Continued congressional support for improvements in compensation, special and incentive pays, healthcare and quality of service enhancements are sending the right signal – we value your service and we want you to stay Navy. Your support for DOD's Fiscal Year 2005 request for a 3.5 percent basic pay raise, our efforts to transform our manpower structure, and further reduction in average out-of-pocket housing costs, from 3.5 percent to zero, will enhance our ability to properly size and shape the 21st century workforce that is our future.

As Chief of Naval Operations, Admiral Vern Clark, recently informed the full Senate Armed Services Committee, we are winning the battle for people. Higher quality recruits, historic retention rates, innovative incentive pay programs, reduced attrition, competitive reenlistments and detailing, and outstanding leadership have all contributed to making our current workforce the very best the United States Navy has ever seen. Admiral Clark has consistently placed manpower at the top of his priority list and has made sure it is the highest priority of all who serve in positions of leadership. As a direct result of initiatives he has supported, we have retained Sailors at near historic rates, while focusing even more on the quality of both those we keep on the rolls and those we bring in through recruiting. Such efforts have combined to allow us to dramatically reduce accession goals. This, in turn, has saved literally millions of dollars in training replacement personnel while preserving knowledge, skills, abilities and leadership experience within our ranks.

In 2003, we exceeded all aggregate retention goals for the third straight year; our recruiters reached their new contract objective for the 29<sup>th</sup> consecutive month and met our annual active enlisted accession goal for the fifth straight year; we reduced attrition 10 percent from the previous year's levels; and, through decommissioning older, manpower-intensive platforms, improving training and employment processes, and more efficient infrastructure organization, we have further reduced gaps at sea. These accomplishments are helping develop the 21<sup>st</sup> Century workforce needed for Sea Power 21, our vision for how we will organize, integrate, and transform the United States Navy as we defend our nation and defeat our enemies in the uncertain century ahead. As Navy's force structure becomes more technical, so must our

workforce. Our people will be a more educated and experienced group of professionals in the coming years, and we must properly employ their talents.

CNO has stated that we will spend whatever it takes to equip and enable these outstanding Americans, but we do not want to spend one extra penny for manpower we do not need. This places us at a unique crossroads...Navy manpower today exceeds that which is required to most efficiently and effectively man our current and anticipated force structure. And, our people are better, smarter and more talented than they were in years past but not as good as they will be tomorrow. CNO refers to this as the "genius of our people" and because of it, we can sustain our high degree of combat readiness with fewer people.

"One thing we have learned in the global war on terror is that, in the 21<sup>st</sup> century, what is critical to success in military conflict is not necessarily mass as much as it is capability."

Donald H. Rumsfeld  
Secretary of Defense  
4 February 2004

### Properly Shaping the Force

As we continue to pursue the kind of new technologies and competitive personnel policies that will eliminate non-productive work, streamline both combat and non-combat personnel positions, improve the two-way integration of active and reserve missions, and reduce the Navy's total manpower structure, we are proposing a fiscal year 2005 end strength reduction of 7,900 personnel. It is important to note that we have deliberately positioned ourselves for this potential success. Navy has historically been a capital-intensive service. "Manning the equipment" as opposed to "equipping the man" has been our traditional approach. But as we introduce in coming years more sophisticated systems that are designed with the human operator in mind, reductions in manpower, and therefore, end strength naturally follow. Personnel reductions will include both uniformed and civilian positions as we shape manpower requirements to match the significant investments of the past several years.

Our force will be smaller and present a "flatter" profile, meaning, we are reducing the number of junior Sailors who historically have performed menial labor tasks, and we are generally increasing the longevity of our force; thereby reducing the costs associated with loss of experience and retraining. The environment in which our Sailors operate is becoming increasingly more competitive and, by extension, more effective. Achieving and sustaining membership in the 21<sup>st</sup> Century Navy is based on the potential for further growth and the ability and initiative to make measurable contributions to mission effectiveness. We are fostering a climate that, while recognizing the importance of all supporting elements, places greater emphasis and rewards on those filling operational roles directly associated with war fighting. We are capitalizing on the ability of the individuals without being constrained by labels of active, reserve, civilian or contractor. We are taking new approaches that, in many cases will de-link unit operational tempo (OPTEMPO) from individual personnel tempo (ITEMPO). At every turn we are carefully targeting the educational needs and desires of our people to enhance their professional and personal competence in a directed manner that supports mission accomplishment and stimulates personal growth and development.

### The Right Approach

The path on which we have embarked to properly shape our force structure may appear contrary to conventional wisdom. The prevailing argument seems to be that with a war ongoing against global terrorism, no individual service can afford to reduce the size of its workforce. Nothing could be farther from the truth for the Navy. In fact, we think we can be an even more effective fighting force with fewer people on the rolls than we are today. There are two principal reasons: first, we are fundamentally changing the way in which work gets done. Technology and better manning practices have permitted us to simply accomplish a given task with far fewer people than it might have required even a decade ago. Consider the manning of one of our destroyers, which now requires a crew of 320, but in the future will be manned a crew of 165. Secondly, we are approaching manpower from a Total Force perspective, closely evaluating not only the relevance of a given task to combat capability, but whether or not that task is best performed by an active duty or reserve Sailor, a civilian employee or a contractor. If it doesn't contribute to combat readiness and if it doesn't need to be done by a Sailor or one of our talented civilians, we don't need to be doing it. At its heart, this is requirements-driven force shaping. We know that the non-productive work must go before the personnel numbers can be significantly reduced over time.

We are reducing excess infrastructure, mostly at large shore installations, that is not immediately and directly tied to the fleet. Most importantly, we are eliminating non-productive work before removing the people. We are abandoning a Cold War era industrial-age manning construct that no longer makes sense in an information-rich world...or against the diverse threats now facing our national security. This is all about how best to employ precious human resources; making sure highly talented Sailors are not engaged in low production work.

### Sea Warrior: Investing in Sailors

Sea Warrior, the manpower component of Sea Power 21, implements Navy's commitment to the growth and development of our people. It serves as the foundation of war fighting effectiveness by ensuring the right skills are in the right place at the right time. Traditionally, our ships have relied on large crews to accomplish their missions. Today, our all-volunteer force is developing new combat capabilities and platforms that feature dramatic advancements in technology and reductions in crew size. The crews of modern warships are streamlined teams of operational, engineering and information technology experts who collectively operate some of the most complex systems in the world. As optimal manning policies and new platforms further reduce crew size, we will increasingly need Sailors who are highly educated and expertly trained. Sea Warrior is designed to enhance the assessment, assignment, training and education of our Sailors. Our fiscal year 2005 request sustains our Sea Warrior momentum to change the tools used to assess mission accomplishment and individual growth:

- Innovative personnel employment practices are being implemented throughout the fleet.
  - ✓ Optimal manning – Experiments in USS BOXER (LHD-4), USS MILIUS (DDG 69) and USS MOBILE BAY (CG 53) produced revolutionary shipboard watch standing practices,



while reducing overall manning requirements and allowing Sailors to focus on their core responsibilities. The fleet is implementing best practices from these experiments to change Ship Manning Documents in their respective classes. Optimal manning means optimal employment of our Sailors.

- ✓ **Sea Swap** – Building on the success of the first crew change in USS FLETCHER (DD 992) in Fremantle, Australia, we expanded the Sea Swap initiative to four SPRUANCE-class destroyers (DD) and three ARLEIGH BURKE-class guided missile destroyers (DDG). The Sea Swap initiative has saved millions of dollars in transit fuel costs and increased forward presence without lengthening deployment times for our Sailors.

- **Commander, Naval Installations (CNI) Command** – Established this past October, CNI is responsible for consolidation of all Shore Installation Management Functions (SIM), e.g., facility maintenance, firefighting, security, mail services, etc. It serves as a single and centralized advocate for shore installations, to establish Navy-wide business practices and generate savings for future investments. The overarching objective is to eliminate redundancy in the SIM process and enable activities to focus on their respective technical missions. CNI's core responsibility is to provide uniform program, policy and funding for the management and oversight of shore installation support to the Fleet. CNI is an important tool in implementing changes in the Navy's internal framework as well as rationalizing Navy's infrastructure within the larger context of Department of Defense transformation initiatives.
- **Fleet Response Plan (FRP)** – Our nation must provide for homeland defense, while concurrently being forward deployed and ready to surge to deliver overwhelming and unparalleled combat power wherever and whenever needed. In response to this mandate, CNO launched the FRP. This innovative approach allows us to surge about 50 percent more combat power on short notice, while simultaneously reducing some of the personnel strain of forward rotations. The FRP allows us to consistently deliver six forward deployed or ready-to-surge Carrier Strike Groups (CSGs), almost immediately, plus two additional CSGs in the basic training phase in 90 days or less (6+2). To make this work, we have fundamentally reconfigured our employment policy, fleet maintenance, deployment preparations and fleet manning policies to expand operational availability of non-deployed fleet units. We have shifted the readiness cycle from one centered solely on the next-scheduled-deployment to one focused on returning ships to the right level of readiness for both surge and deployed operations. The net result is a fleet that is more ready, with more combat power, more quickly than was possible in the past.
- **Integrated Readiness Capability Assessment (IRCA)** – IRCA was developed to permit us to more carefully examine our readiness processes. Starting with the FRP, we took a hard and realistic look at what we need to deliver required combat readiness. The IRCA helped us understand the collective contributions of all components of readiness, accurately define requirements, align the proper funding and provide a balanced investment to the right accounts. It improved our visibility of the true requirements and gave us a methodology by which to assess and understand acceptable and unacceptable risks to our readiness investments. The bottom line is – we have carefully defined the readiness requirement and identified those areas where we can streamline or cease activities that do not add to readiness.

"We will deliver the right readiness at the right cost to the nation." Admiral Vern Clark  
 Chief of Naval Operations  
 10 February 2004

- Professional Military Education (PME) - We are taking a more comprehensive approach toward educating our people than we have done in the past. Our PME program will allow us to fully incorporate personal growth and development as part of our mission. We are broadening the professional and intellectual horizons of our members to better prepare them to operate tomorrow's fleet and to assume key naval and joint leadership roles. The PME continuum we are developing, will integrate general education, traditional Navy-specific Professional Military Education (NPME) and Joint Professional Military Education (JPME) curricula.

Service college education for our officers also continues to be a priority. We remain committed to filling 100 percent of domestic service college seats, at both the intermediate and senior levels. Additionally, we are continuing to increase the number of officers completing the Naval War College JPME Phase I curriculum as part of their post-graduate education experience at the Naval Post Graduate School in Monterey, CA. Navy has also established a partnership with the Air Force to provide 300 Navy Lieutenants the opportunity to complete the Air Command and Staff College non-resident program. Recognizing the importance of a service college experience, each of our Unrestricted Line communities is reviewing their officer development career paths to ensure our officers have an opportunity for resident education, to include JPME, as they progress through their careers. These efforts will result in more top quality officers better prepared for leadership roles that await them.

- Human Performance Center (HPC) has been established to optimize naval war fighting performance by applying the Human Performance Systems Model and the science of learning to all facets of naval operations. In doing so, we will eliminate barriers to achieving required performance and ensure that training solutions are effective, thereby, saving money and improving readiness.
- Integrated Learning Environment (ILE) is a family of systems that, when linked, will provide our Sailors with the ability to develop their own learning plans, diagnose performance strengths and weaknesses, and tailor education to support both personal and professional growth. Most importantly, these services will be provided anytime, anywhere via the Internet and the Navy-Marine Corps Intranet (NMCI).
- Five Vector Model (5VM) – is an innovative assessment tool currently in use to improve the professional development and growth of our Sailors, both officer and enlisted, active and reserve. The enlisted tool is being used at this time and the officer tool is under development. The 5VM in coordination with the Career Management System (CMS), will use the latest in systems technology to create an integrated career management tool allowing Sailors to more successfully plan and execute their careers, and then reap the rewards of serving. Accessed through Navy Knowledge Online (NKO), the 5VM is both a roadmap and a resume, showing Sailors what they need to know, when they need to know it, and how to

go about getting that knowledge, skill or ability. Tailored to each individual, it offers a single point of access for all information and resources related to planning and managing their professional and personal lives. Sailors can access their professional and personal development, leadership, certifications and qualifications, and performance vectors. As each vector requirements, or milestones, are plotted, these are linked to the supporting courses (residency, computer-based, Web-delivered), tools and available resources. Based on achieved milestones, the 5VM tracks a Sailor's ranking among his or her peers; identifies promotion potential and feeds various databases from which the electronic training jacket is created. Through the 5VM, Sailors will also link to the CMS to identify duty assignments that will best meet their individual development and promotion needs, as well as alternative duty assignments and non-military educational opportunities. Sea Warrior will ultimately bring together the 5VM and CMS to create an integrated detailing system, allowing Sailors to apply for duty assignments online.

#### Navy Manpower and Personnel Strategy (N-MAPPS)

We decided several months ago to adopt the Balanced ScoreCard management system as a means of translating our organizational strategy into action and better focusing our activity and budget decisions on achieving our strategic priorities. Under our own brand, N-MAPPS, the Balanced ScoreCard approach provides an effective means by which to measure the things we do against the performance outcomes we expect. For example, one goal is to improve the quality of the force. We need to be able to say how we are going to do it as well as how we will know when we have successfully achieved our goal. In this way we will be better able to measure our success and determine whether or not the goals we set for ourselves were the right ones. Using techniques on how to improve government efficiency employing Balanced ScoreCard, we have streamlined our strategy map, making it tighter and more focused. We are also honing our metrics, paring them down to those most essential, as well as sharpening the tolerances. With the proper emphasis on how to measure success, ensuring that we measure the right things, in the right numbers and within appropriate tolerances, we are sure to reach the right conclusions.

#### How We Will Get There

We have a variety of tools currently available to us that we will employ to ensure we make the right decisions about whom to retain and in what skills and who we separate:

- Perform to Serve (PTS) - Last year, we introduced PTS to align our Navy personnel inventory and skill sets through a centrally managed reenlistment program and to instill competition in the retention process. Most Sailors are authorized to reenlist within their current ratings, because that is where we need them most, it's cost-effective and it benefits our readiness posture. Others, however, will be encouraged to convert from ratings in which we have excess inventory, to undermanned ratings where vacancies are really hurting us. Those Sailors asked to convert will be provided with the necessary training to ensure their success in their new skill areas and they may be eligible for a bonus upon incurring a specified period of obligated service to work in that rating. As you can see, we further enhance readiness in this way, because, by moving experienced and disciplined Sailors from overmanned skill sets into undermanned skill sets, we are balancing our force profile, while

capitalizing on the investments we have made in these proven professionals by keeping them in our ranks. The pilot program has proven so successful in steering Sailors in overmanned ratings into skill areas where they are most needed, that the program has been expanded. More than 16,000 Sailors have applied to reenlist through PTS since the program began just one year ago and we will continue this effort in 2005.

- **Lateral Conversion Bonus (LCB)** – Another available method relies on a tool authorized in last year's Defense bill that we refer to as the Lateral Conversion Bonus. While PTS focuses on rating conversions at the end of a Sailor's service obligation, LCBs would be targeted at Sailors we need to convert to undermanned ratings in the middle of a period of obligated service. The benefit to this approach is that, the sooner we can get them into the skill areas in which we need them, the sooner we begin to realize a return on investment, in terms of enhanced personnel readiness...and that's what we're all about. Earlier conversion also accelerates their competitiveness and enhances their chances for advancement within their new rating.

PTS and LCB were emphasized first because we want you to know that we place great value on the professionalism of our dedicated and experienced Sailors. We will make every reasonable effort to retain these Sailors by considering them for rating conversion prior to any decision to release them from our ranks. It makes good sense from a readiness perspective and it is responsible stewardship of taxpayer dollars to do so. Additionally, it keeps faith with those who voluntarily serve, and their families, by affording them the opportunity to remain a part of our team even if the job they originally enlisted in the Navy to perform is no longer needed. These methods have shown great utility in our efforts to shape the force for the 21<sup>st</sup> century.

- **Assignment Incentive Pay (AIP)** – Authorized in the Fiscal Year 2003 Defense bill, AIP attracts qualified Sailors to a select group of hard-to-fill duty stations. It allows Sailors to bid for additional monetary compensation in return for service in these locations. An integral part of our Sea Warrior strategy, AIP is enhancing combat readiness by permitting market forces to efficiently distribute Sailors where they are most needed. Since the pilot program began last June, more than 1,100 AIP bids have been processed, resulting in 238 Sailors receiving an average of \$245 extra pay each month. More importantly, challenging duty assignments have been filled without forced assignment of service members contributing to our improvements in quality of service.
- **Selective Reenlistment Bonus (SRB)** – While we have enjoyed much success in our retention efforts of recent years, we must not presume that we can rest on these accomplishments or surrender to the notion that the tools that made such successes possible are no longer needed. SRB authority has come increasingly under fire because of the funding required to support it. This has been, and continues to be, our most valuable incentive, directly responsible for much of our unprecedented retention successes in the key skill sets required to maintain our combat readiness. Indeed, SRB adjustments were repeatedly refined last year to improve manning within specific skills (Navy Enlisted Classification (NEC) Codes), vice overall ratings. The direct cost avoidance associated with not having to access, train and grow replacement personnel far outweighs the funds expended to retain Sailors in critical skills using the SRB. Added to that is the costs we would have paid in decreased personnel and



military readiness, had we not been so successful in retaining these outstanding professionals in needed ratings. I strongly encourage your continued support for this vital program. I cannot overemphasize the importance that it continues to play in the readiness and capability you observe in our Navy today.

- **Military to Civilian Conversions** – We are conducting a careful review of military billets in our shore infrastructure to determine if they truly require a Sailor, or if the task could be performed as effectively, and at lower cost, by a civilian or by private industry. We want to emphasize shore billets where Sailors need, and continue to hone, those skills required by the fleet. In conducting this review, we are using several tools, for example: “zero-based reviews” of individual officer communities and enlisted ratings, functional reviews of service delivery for various infrastructure requirements, and a review of the model for providing total force health care requirements. We will phase in the results of this analysis to ensure that Sailors continue to have a career path that supports professional growth and that we continue to support the fleet with an appropriate mix of manpower.

To achieve the necessary end strength to match manpower requirements necessary to support our combat readiness requirements, additional methods of shaping the force are currently available for use. These methods, though not preferable, may be used to achieve our manpower goals. We are exploring methods that would allow voluntary decisions by Sailors in targeted skill sets to “right size” the force to match manpower requirements. The tools that are being explored would allow us to effectively, and more precisely, shape the force while contributing to continued success in recruiting, retention and quality of service, thereby avoiding the adverse impacts experienced as a result of using such draconian involuntary separation methods during the post Cold War drawdown.

#### National Security Personnel System (NSPS)

Last year, Congress authorized NSPS, a new, more flexible, more user-friendly, personnel system, which will undoubtedly help us better manage our civilian workforce. Navy has offered to serve as the testing ground to launch this new and innovative federal employee management system, and we are confident that it will contribute immensely to our ability to get the best-qualified, best-trained, best-educated and most highly motivated civilian federal employees into key positions that are integral to our Total Force manpower effort. It is imperative that we have the kind of flexibility this system affords us as we identify, through such innovative tools as the previously mentioned IRCA, positions currently filled with uniformed personnel that could more appropriately be performed by talented professionals in the civilian workforce, freeing up Sailors to fill positions more closely tied to fleet operations.

We are in the initial stages of identifying competencies required by our civilians to support current and future work requirements. This competency identification provides the basic structure for workforce development, recruitment, succession planning and strategic human capital planning. It also provides a framework supportive of the National Security Personnel System and the changes Navy needs to make in the performance planning process. We believe these changes to how Navy manages its human capital will enhance employee work-life and demonstrate that Navy is an “employer of choice”.

For Sailors ready to leave the Navy, we continue to remind them that Navy is an "Employer of Choice" in the civilian world to our mutual benefit. As we expend significant effort and resources to recruit the best and brightest into the Navy, and subsequently in their training and leadership skills, it stands to reason that when these professionals leave the Navy, they are among the most attractive and logical applicants for potential placement in civilian positions. They have a great education, thanks to our PME program that allows us to fully incorporate personal growth and development as part of our mission. Their leadership skills are unparalleled since we have invested in broadening their professional and intellectual horizons in order to better prepare them to operate tomorrow's fleet and to assume key naval and joint leadership roles. There are many employers who make the mistake of investing in the career development of employees only to lose their talent and experience to employers elsewhere. After investing in Sailors' career development for many years it makes sense to encourage them to continue contributing to Navy as a civilian employee. In doing so, we retain the knowledge, skills and abilities they acquired through years of service and specialized training in the Navy.

### Diversity

Navy has embarked on a more strategic approach to managing the diversity of our force. During the past year, we have concentrated on three main areas: understanding the current diversity environment, defining our strategic diversity framework, and making a commitment to execution. The implementation plan is concentrated in four major areas, each of which is led by a specific work team: Accessions, Training and Career Development, Organizational Alignment, and Communications. We will also establish a Senior Diversity Leadership Forum that will include membership from the highest levels of the Navy, as well as distinguished leaders of the civilian community. This forum will monitor the execution of our efforts. We envision it becoming the model for our Government and our nation in this critical endeavor. Further, the Diversity Visioning Group, which was formed last year to develop the Strategic Framework for Diversity, will evolve into the Fleet Diversity Council, continuing to lead the effort on the waterfront.

Implementation of the strategic plan will be a multi-year effort that will require us to remain engaged and steadfast. Change will be achieved over time, with continued diligence, commitment and execution from all hands. Evaluating and communicating progress will be key to ensuring we stay the course and succeed. Achieving key milestones, derived from the implementation timelines, we will provide a structure from which to assess progress and identify critical junctures. Implementation milestones will also serve as incremental measures of change and provide opportunities for 'small wins' to be celebrated. The end result, we believe, will be the ability to sew diversity into the fabric of our Navy's culture.

### Health of the Officer Corps

While we have made significant inroads in addressing many officer community shortfalls that plagued us for a time after the post Cold War drawdown, we continue to experience specific challenges in our efforts to retain the correct numbers and skill mix of war fighters within our unrestricted line community.

Surface Warfare Officer (SWO) Community - Retention among Surface Warfare Community department head (mid-grade) officers, typically with 6-10 years experience, has been a problem since Fiscal Year 1993. Community management of officers in year groups (YGs) 1994-98 remains a challenge as we strive to ensure annual O-4 requirements are met and preclude excessive department head tour lengths. How successful we are will directly influence the career decisions of division officers approaching the end of initial service obligations. Meeting department head requirements is essential to ensuring a sufficient inventory of post-department head officers to support shore requirements at the O-4 level. We closed Fiscal Year 2003 with shortfalls in meeting our control strength goals. Implementation of a Surface Warfare Critical Skills Bonus has contributed towards reversing the downward trend in retention among O-4 SWOs. An aggressive program of engagement with junior officers and tying key graduate education programs to department head billets has helped mitigate the problem. This, along with a program that accelerates assignment of our most promising division officers to department head billets afloat, is helping ease the adverse effects of undermanned YGs in today's department head inventory. Availability of sufficient numbers of quality department heads to serve in the fleet remains the community's top priority.

Surface Warfare Officer Continuation Pay (SWOCP) continues to contribute to improved retention among these skilled and highly sought after fleet-experienced officers. The number of officers committing to serve as at-sea department heads continues to be encouraging and validates the effectiveness of SWOCP. We closed out Fiscal Year 2003 meeting 90 percent of department head requirements and have over 90 percent of department head school seats filled. The SWO career path nominally contains a two-year shore tour prior to an officer returning to sea as a department head. This is where most SWOs make their first career decision on whether to commit to serve as department heads. SWO retention is measured at nine years of commissioned service (YCS). Retention improved to 31 percent in Fiscal Year 2003, but remains below goal. Early commitments and take-rates for SWOCP by YG-97 and later foretell continued improvement in SWO retention. Due to lower-than-historical retention following the Cold War, and under-accessing several year groups at the height of the drawdown, SWO community retention must be at least 35 percent to fully support department head at-sea requirements, while 38 percent (goal) will restore much needed selectivity and flexibility in the distribution process.

Submarine Warfare Officer Community - Submarine community, officer accession and retention requirements are based upon manning at-sea billets. Changes in the force structure directly impact at-sea billet requirements and increase necessary out-year accessions and retention. Submarine force structure projections were increased the last two years, following a decision to convert, vice decommission, four SSBNs to SSGNs, resulting in eight additional crews being retained in the force structure. The impact of additional force structure is felt most significantly at the department head level. This increases our accession mission, to meet future requirements, and our retention requirement, to fill the near-term increase in department head requirements. The submarine community measures retention as the continuation rate of officers from three to seven YCS, for a particular YG. This provides a measure of officers available for assignment to submarine department head, nominally at the eight YCS point. Fiscal Year 2003 (YG-96) retention was 43 percent, which exceeded a 41 percent goal required to return department head

tour lengths to 36 months. Although retention has improved in the near term, under-accessed year groups (YG-97 and YG-98) are approaching their "stay-leave" decision windows (7 YCS), and retention requirements for these year groups average 40 percent to meet department head manning requirements. For example, YG-97 will require a 43 percent retention rate just to meet requirements for that YG.

Nuclear Officer Incentive Pay (NOIP) has proven to be an effective tool in shaping submarine officer retention. NOIP rate increases in Fiscal Years 2001 and 2003 favorably impacted YG-96 retention. The 2001 increase yielded a 25 percent increase in the number of contracts executed for YG-96 compared with YG-94. The 2003 increase further boosted contracts executed to 41 percent. Continued stiff competition from the private sector for these officers remains a significant cause for concern. Submarine officers possess highly specialized and unique skills associated with their lengthy and costly technical training. Having graduated at the top of their classes from some of the nation's premier educational institutions, these officers are aggressively pursued for positions in a variety of career fields, many of which are outside the nuclear power industry. Inadequate retention imposes extension of demanding sea tours on officers still serving in order to meet safety and readiness requirements. Excessively long department head tours adversely impact junior officer retention creating a downward spiral. NOIP remains the surest and most cost-effective means of achieving required retention. With forecasts predicting substantial economic growth, and under-accessed YGs approaching department head tours, we must maintain competitive retention incentives so that we can lead, vice chase, the retention challenge.

Naval Special Warfare (NSW)/ (SEAL) Officer Community - The retention metric utilized for SEAL officers is the average retention of officers with 7-10 YCS. SEAL officer retention requirements are necessarily high to meet the demand for a relatively large number of Joint and Navy staff officer assignments for SEALs in pay grades O-4 through O-6. While we have sufficient numbers of volunteers for the SEAL officer program, accessions are limited due to the finite number of junior officer operational assignments. Navy implemented a Special Warfare Officer Continuation Pay (SPECWARCP) for officers with 6-14 YCS, and whose continuation is important to the health of the NSW community. Each of the first three years this was offered, the results exceeded the projected 74 percent goal of eligible officers to contract. While many of those contracts during the first two years were one and three-year contracts, indicating a number of officers remained uncertain about their long-term service plans, contracts for Fiscal Years 2002-03 tended to reflect longer commitments due to a contract rate-realignment. This coupled with increasing accessions beginning in Fiscal Year 1995, has contributed to community stability and a favorable long-term retention outlook. Additionally, realignment of SEAL Teams under Force-21, creating more operational opportunities among mid-grade officers, is expected to further increase overall retention since most individuals enter NSW to serve as war fighters.

Aviation Warfare Officer Community - Naval aviation retention in Fiscal Year 2003 was 49 percent through department head (12 YCS), surpassing last year's mark by six percentage points. Continued improvement can be partially attributed to four consecutive successful years of our Aviation Career Continuation Pay (ACCP) program and the sluggish economy. Despite this favorable retention trend, we remained over 600 junior officers below requirements at the end of Fiscal Year 2003. Aviators retained above Fiscal Year 2003 required CCR, will help alleviate



expected shortfalls this year. Required retention rates due to the T-Notch, caused primarily by under-accessing year groups during the drawdown, exceed 55 percent this year and will peak at 81 percent in Fiscal Year 2005, as under-accessed year groups enter their department head tours. Additionally, these ambitious, but necessarily high retention goals clearly illustrate the importance of retaining as many junior aviators as possible. Naval aviation shortages are due to a combination of low accessions, increased time-to-train and retention rates below requirements between Fiscal Years 1996-99.

To maintain optimum combat readiness, Navy has identified and prioritized billets to ensure operational sea duty billets are manned at 100 percent. Next in priority are production billets ashore (pilot and Naval Flight Officer training). Aviator tour lengths have also been adjusted to ensure billet prioritization is maintained. We have been working aggressively to reduce time-to-train as well as increase aviator production throughput in the training command and Fleet Replacement Squadrons. By accessing to meet steady-state requirements, rated aviator shortages will begin to diminish by Fiscal Year 2007 and should be alleviated when fully accessed year groups enter their department head tours in Fiscal Year 2012 and beyond.

ACCP continues to be our most efficient and cost-effective tool for stimulating retention behavior to meet current and future requirements and overall manning challenges. Recent indicators of recovery within the airline industry, which may be expected to lead to increased hiring, suggest the need to continue offering competitive ACCP to address the continuing aviator shortfall and anticipated increasing challenges to aviator retention efforts. Targeted, stable, efficient and judicious use of limited resources are hallmarks of Navy's ACCP program, which continues to offer the incentive necessary to stabilize our aviation manning profile; thereby sustaining operational combat readiness within Naval aviation.

#### Maintaining a Vibrant Recruiting Program

Enlisted Recruiting and a Healthy Delayed Entry Program (DEP) - As mentioned earlier, Navy Recruiting experienced a highly successful year in Fiscal Year 2003 and this success has continued through the first quarter of Fiscal Year 2004. A lower accession mission, professional and properly resourced recruiting force, and favorable economic conditions have all contributed to this success. Improving economic conditions and increased emphasis on higher recruit quality have not hurt overall recruiting efforts, thus far. Despite the fact that retention successes have allowed us to reduce the accession mission over the last several years, we must remain ever vigilant that prevailing winds could change quickly, for any number of reasons, necessitating a sudden surge in our recruiting goal. Economic conditions that have proven so favorable to Navy retention and, likewise, recruiting successes, are not expected to continue. The 6.4 percent national unemployment rate of June 2003 decreased to 5.7 percent by December and is projected to continue declining over the next two years. With such uncertainty looming on the recruiting horizon, it is critical that advertising and recruiting budgets remain sufficiently robust to adjust for swiftly improving economic conditions, but also to support continued pursuit of increasing recruit quality. Despite declining accession goals in recent years, the smaller more technical force we are building mandates additional emphasis on recruit quality and education.

Our success in meeting new-contract-objective has helped to restore the health of our DEP, which signals a high probability of long term recruiting success. It has also allowed us to focus more closely on meeting goals for critically manned ratings. We were able to remove 41 ratings from the critically manned ratings list this past fiscal year and we recruited greater than 95 percent of the mission in five of the six remaining critically manned ratings. Another major advantage of a strong DEP is that it provides a strategic opportunity to improve recruit quality. Higher quality recruits are less likely to attrite during the first term of enlistment and are better suited for the increasingly technical 21st Century Navy. A healthy DEP posture alleviates the necessity for crisis-managing each month's accession mission, permitting recruiters to be more selective in the quality of recruits processed. Recruit quality is primarily measured by the percentage of High School Diploma Graduates (HSDGs), recruits scoring in Test Score Categories I-III A (CAT I-III A) or the top half on the Armed Forces Qualification Test (AFQT), and recruits possessing prior college experience.

In Fiscal Year 2003, we accessed 94.3 percent HSDGs, a significant improvement from the previous year's level of 91.9 percent and well above the DOD minimum standard of 90 percent. We accessed 65.7 percent CAT I-III A recruits against a DOD minimum standard of 60 percent and we achieved a 40 percent increase in the percentage of recruits with prior college experience. We are confident in our ability to improve upon these positive trends; therefore, we have set this fiscal year's bar even higher, 95 percent HSDGs, 67 percent CAT I-III A, and a 20 percent increase in the percentage of recruits with college experience. Through December 2003, we are on track to meet each of these objectives. Of particular note on the quality front, last fiscal year, 43.8 percent of African American recruits were in CAT I-III A. During the first quarter of Fiscal Year 2004, 52.4 percent of African Americans who have accessed, or who are contracted to access, are in CAT I-III A, allowing greater diversity representation among Navy's more technical ratings.

**Penetrating the College Market** - In Fiscal Year 2003, Navy accessed 7.8 percent recruits with prior college experience, largely attributable to aggressive recruiting efforts on junior college campuses. However, the need to improve college market penetration in the future will likely present a formidable challenge without incentives targeted towards college youth. . As ships and aircraft become increasingly technically complex, the Navy's need for recruits with college experience and advanced vocational and technical training is increasing dramatically. The Chief of Naval Operations (CNO) Strategic Studies Group has foreseen a requirement for Navy to recruit 40% of its enlisted force through programs that result in an Associates Degree or directly from the Associates Degree market. Navy is exploring the need for authorities that would provide increased access to this market which is expected to become of significant importance to our future recruiting requirements.

**Officer Recruiting** - Fiscal Year 2003 proved successful for active officer recruiting, as well. We met 23 of 24 officer community goals, including all goals in the unrestricted line, restricted line, and staff corps communities. We anticipate similar levels of success this fiscal year. Dental Corps, in which we attained only 67 percent of mission, was the only officer community that did not achieve annual goal. We continue our efforts to increase minority recruiting into the officer corps to more closely mirror diversity representation among Americans receiving Bachelor's degrees. We increased minority officer new contracts from 17.9 percent to 21 percent between

Fiscal Years 2002 and 2003. Through the first three months of fiscal year 2004, we achieved 24.8% minority officer new contracts. Hispanic and African American communities comprise the largest proportion of improvements between Fiscal Year 2002 and the first quarter Fiscal Year 2004.

Total Force Recruiting - Last fiscal year, we consolidated active and reserve recruiting efforts under Commander, Navy Recruiting Command (CNRC) to establish a Total Force Recruiting mission through unity of effort and command to maximize effectiveness and efficiency. Several pilot programs involving various levels of the chain of command and both enlisted and officer recruiting are underway to evaluate the impacts of the organizational change on active and reserve accession missions. Additionally, beginning with Fiscal Year 2005 President's Budget Submission, active and reserve component recruiting Operations and Maintenance Accounts have been merged in support of the consolidation effort.

While Navy recruited 106 percent of the overall enlisted Selected Reserve (SELRES) goal in Fiscal Year 2003, several ratings, including Master-at-Arms and Hospital Corpsman, achieved less than 70 percent of their respective goals. In Fiscal Year 2004, Navy plans to access about 1,000 National Call to Service (NCS) candidates to meet near-term active duty manning requirements, as well as future SELRES drilling requirements in hard-to-fill ratings, including significant numbers of Master-at-Arms and Hospital Corpsman. Through the first quarter, Fiscal Year 2004, we are on track to meet our overall enlisted SELRES accession mission. Three years of experiencing the highest retention rates among active enlisted personnel in our history has led to an inevitable decline in the number of prior service veterans available to enter the Naval Reserve. Consequently, we were compelled to increase non-prior service Reserve accessions to 39 percent in Fiscal Year 2003, in stark contrast with 18 percent and 32 percent in Fiscal Years 2001 and 2002, respectively. This clearly has its downside in that a greater percentage of SELRES accessions are not deployable until they receive extensive training and experience; thereby, adversely impacting personnel readiness with the Naval Reserve. Through enhanced aggressive prior service recruiting, we hope to limit non-prior service accessions to approximately 18 percent this fiscal year. Similar retention behavior among active component officers yielded a similar impact on officer SELRES recruiting mission in Fiscal Year 2003. Several officer communities requiring prior service experience did not meet accession goals and contributed to attainment of just 91.2 percent overall officer SELRES accession mission. Through first quarter Fiscal Year 2004, we are on track to meet our overall officer SELRES accession mission this year.

### Conclusion

Mr. Chairman and distinguished members of this personnel subcommittee, the dedicated men and women of the world's premier naval force continue to sustain our forward worldwide presence on a daily basis in this third year of the Global War on Terrorism. As our CNO has made very clear, "At the heart of everything good in our Navy today is this: we are winning the battle for talent. This is the highest quality Navy the nation has ever seen." Your continued support for our force-shaping initiatives and programs will maintain that high quality and prepare us to better meet the challenges of the 21<sup>st</sup> Century. In this way, we will collectively set the

stage to project greater power and provide greater protection to our nation – enhancing our security in the dangerous and uncertain decades ahead.



STATEMENT OF

VICE ADMIRAL KEVIN P. GREEN, U.S. NAVY

DEPUTY CHIEF OF NAVAL OPERATIONS FOR PLANS, POLICY AND OPERATIONS

BEFORE THE

SUBCOMMITTEE ON TOTAL FORCE

OF THE

HOUSE ARMED SERVICES COMMITTEE

MARCH 10, 2004

## Introduction

Chairman McHugh and distinguished members of this Subcommittee, I appreciate the opportunity to be with you today. It is an honor to report to you on our current force structure and how it is being used to continue our operations worldwide in the Global War on Terrorism (GWOT). Your generous support has been instrumental in our efforts to transform our war fighting as well as improve the combat readiness and capability of our Navy. The results of your assistance are evident in the strong forward deployed posture and readiness for combat of our Sailors and their units.

I'll begin my statement today by briefly reviewing the past year, where we stand today and how the newly instituted Fleet Response Plan (FRP) enhances our readiness posture to surge combat ready forces for crises and contingencies, providing our leadership with increased options in the execution of the national security strategy. Secondly, I will address end strength considerations and Active/Reserve component impacts and how they support our Navy's improved readiness and increased capabilities to provide decisive combat power to the joint commander.

## This Time Last Year . . .

At this time last year, 168 Navy ships and over 77,000 Sailors were deployed around the world supporting the Global War on Terrorism and in position to execute Operation *Iraqi Freedom*. In total, 221 of our 306 ships—representing 73% of our force—were underway; including 7 of 12 carrier strike groups, 9 of 12 expeditionary strike groups, and 33 of 54 attack submarines. The Navy and Marine Corps alone had nearly 600 aircraft forward deployed in support of these operations. SEALs, construction battalions, explosive ordnance disposal teams, port operations support units, maritime patrol squadrons, medical teams, and naval coastal warfare units were also deployed overseas, all well-trained and ready for real world combat operations. Twenty-one combat logistics and 76 sealift ships provided for the movement and sustainment of this fighting force.

These forces were seamlessly integrated into joint and coalition operations in support of Operation *Enduring Freedom* (OEF) and Operation *Iraqi Freedom* (OIF). In the case of OIF, our forces provided the joint force commander a capability to project force deep inland from the sovereign operational sea bases provided by our aircraft carriers and other naval combatants. Navy flew nearly 9,000 sorties, fired over 800 Tomahawk missiles and delivered 15,000 Marines to the fight. In fact, OEF and OIF were the most joint operations in our history, providing valuable lessons that we continue to apply today to further enhance our power projection, our defensive protection and the operational independence afforded by the freedom to maneuver on the sea. The lessons learned thus far reaffirm that the capabilities-based investment strategy, new war fighting concepts and enabling technologies we are now pursuing in the Sea Power 21 vision are right on course.

To accomplish this level of deployed forces, shipyard and intermediate maintenance facility maintenance schedules were accelerated, training timelines compressed and many of our Sailors found

themselves deploying much earlier than expected. Our experience in OIF and our analysis of future campaign scenarios make it obvious that the readiness of both our forward deployed forces and the forces that must surge forward will continue to be critically important to our success in future campaigns.

To meet this readiness challenge, we launched the Fleet Response Plan (FRP) in May of this past year. The FRP resets the force in a way that will allow us to surge about 50 percent more combat power on short notice and at the same time potentially reduce some of the personnel strain of forward rotations.

### **Sustaining Readiness - The Fleet Response Plan**

The Fleet Response Plan (FRP) is among the most important in the Navy's transformation plans and is the real reason we can provide immediate surge capability close on the heels of major combat operations. The FRP fundamentally changes the way we operate our Fleet, institutionalizing a higher level of overall sustained readiness, and therefore employability, providing a surge capability necessary in the global security environment.

Our defense strategy requires joint forces to be prepared to rapidly transition from a posture of forward deterrence into joint campaigns to swiftly defeat the efforts of adversaries, placing a premium on rapidly surging ready forces from bases at home and abroad to augment forward-deployed forces. In the past, the capability to have routinely available, rapidly deployable forces was hampered by our maintenance schedules and a rigid training schedule that targeted peak readiness for the next regularly scheduled deployment. For example, in the pre-FRP deployment and maintenance cycle, a ship was surge ready or deployed 9.5 months of a 24-month cycle. Under FRP, that ship is now surge ready or deployable 15.8 months of a 27-month cycle.

To achieve this added employability, we transformed the inter-deployment cycle by expanding the time between maintenance by three months (from 24 to 27 months), by commencing the training process as soon as possible following the completion of maintenance, and by completing both as soon after deployment as possible. Further we aligned FRP training processes to progressively enhance crew proficiency as ships achieve readiness milestones through basic, intermediate and advanced phases of training. The missions for which they can be surged are determined by the level of training they have completed at the point when they are ordered to deploy. We use the terms "emergency surge capable" and "surge capable" to differentiate the training progress of our surge forces.

The result of the new process is a significantly higher sustained operational competency and improved readiness. Simply put, rather than having only two or three Carrier Strike Groups (CSG) forward deployed at any one time – and an ability to surge only a maximum of two more – the FRP enables us to now consistently deliver six forward deployed or ready to surge Carrier Strike Groups almost immediately – within 30 days, plus two additional CSGs that are in the basic training phase in 90 days or less. This FRP capability is commonly known as "six plus two."

The improved readiness afforded by the FRP process makes more forces "available" and affords more flexibility to provide forces when needed by the Combatant Commanders. Though the time that platforms are available for employment will increase, the total time Sailors are deployed will not. The framework of FRP will allow enough structure for Sailors and their families to plan their lives, while also keeping our adversaries off balance by the unpredictable potential of operations.

While flexibility has advantages, FRP must also provide Combatant Commanders and allies the level of predictability needed to plan U.S. Navy participation in exercises, engagement with overseas partners and provide assurances of our nation's commitment to the security of friends and allies. Equally important, during the additional months of readiness to surge, FRP will not increase the burden on our Sailors by keeping them in a constant alert status, uncertain when, if, and for how long they will be summoned to respond. Of course, for any major national crisis, the Navy will surge all the ships and aircraft it can put to sea. Our Sailors understand that when the nation is threatened, their duty is to answer the call. However, for those increasingly frequent situations that warrant a response, but do not imminently threaten the U.S. or its interests, a new employment concept was required.

The Navy developed the Flexible Deployment Concept (FDC) as a complement to FRP to ensure a proper balance between readiness to surge versus the practical need to place responsible limits on the OPTEMPO of our Sailors. To provide safeguards for our people, FDC proposes the establishment of two windows when ready ships could be available for employment, either on routine deployments in support of Combatant Commander objectives, or on shorter "pulse" employment periods in response to emerging requirements. These windows provide predictability. Sailors will know when they might be expected to deploy, and Combatant Commanders will know which forces are ready to respond to emergent needs.

FRP and FDC, when applied with the Joint Chiefs of Staff deployment processes, provide ready forces able to defend the homeland, respond quickly to deter crises, defeat the intentions of an adversary, or win decisively against a major enemy. "Presence with a Purpose" - - employing forces for specific capability requirements - - is our employment goal and is a sea change from heel-to-toe presence deployments of the past. Together they implement the type of force employment transformation envisioned by national and military leaders and are the most significant change in the Navy's operational construct in decades. FRP/FDC implementation will be accomplished with the resources already planned and do not require increases in force structure. Since we will gain resource efficiencies in maintenance and training, FRP/FDC is budget neutral and costs are not disproportionately larger than costs to support our current presence policy. In fact, when considering the increased force availability gained through this transformational change, the taxpayer gets a larger return on investment with our current force structure.

I have focused the discussion on carrier strike groups (CSGs) because they are the most complex components to prepare for deployment. Certainly my FRP discussion could be extended over portions of our entire fleet. With the implementation of FRP, half of Navy forces could be ready to provide homeland defense and be either forward deployed or ready to surge forward, ready to provide the joint commander with the necessary combat power to respond to any contingency.



## Sustaining Readiness and Transforming the Workforce

Three years ago, the Navy reported to Congress significant concerns with the material aspect of our current readiness. As one of the CNO's top five priorities, Navy current readiness received significant attention, and with focused effort, careful planning and congressional resource support, we have made tremendous gains in ship and aviation material readiness. Training readiness is another success story.

To meet the demands of our new readiness process, we continue to place great emphasis on use of simulation and other means of finding efficiencies that can be captured and diverted into other readiness accounts. Inherent in our employment shift to a rotational force that is surge-capable, we have found innovative ways to achieve an acceptable level of surge readiness earlier in a battle group's deployment cycle. Adjustments to key training and scheduling events during the inter-deployment training cycle are resulting in ships and squadrons being capable of accelerating to a deployable status sooner.

The efficiencies gained through improved training readiness and greater material readiness, when coupled with the highest retention in history and reduced attrition rates, resulted in the best trained and led Navy in our history. Matching these highly skilled Sailors with newer, more technically advanced equipment has given our Navy more capability while requiring fewer personnel. This trend will continue as older, manpower intensive platforms are retired and more advanced platforms requiring fewer overall personnel continue to join the fleet.

To preserve the specialties, skill sets and expertise of our Sailors and to shape this professional and technologically proficient force, the following programs and initiatives have proven fruitful:

- Pay raises and enhancements to special pays (especially career sea pay) enacted over the past three years are yielding impressive results.
- The use of Selective Reenlistment Bonus to increase the number of enlistments in critical, highly technical or hard to retain ratings and Navy Enlisted Classifications.
- Efforts to reduce out-of-pocket housing expenses, authorization for our Sailors to participate in the Thrift Savings Plan, improvements in medical care, and retirement reforms approved by Congress are among the significant factors that have helped us retain the Sailors we need today.
- The Perform to Serve (PTS) program has been successful in reshaping the force, preserving specialties, skill sets and expertise needed to continue properly balancing the force. This program's success in moving sailors from where we have excess inventory to undermanned ratings where vacancies have been hurting us has been essential to properly shaping the force. The pilot program was so successful it has been expanded and will continue in 2005.
- Innovative personnel employment practices are being implemented throughout the fleet. Optimal manning experiments in USS BOXER (LHD 4), USS MILIUS (DDG 69) and USS MOBILE BAY (CG 53) produced revolutionary shipboard watch standing practices while reducing overall manning requirements and allowing Sailors to focus on their core responsibilities.

- The Navy's Sea Swap initiative, is experimenting with exchanging forward deployed crews. The first "sea swap" occurred aboard USS FLETCHER in the Western Australian port of Fremantle, and today FLETCHER is on her fourth crew. We will continue to assess their condition and deep maintenance needs to develop and apply lessons learned to future Sea Swap initiatives.

As we continue to balance the Fleet, the stresses placed on our Reserve Components as a result of the GWOT, OEF and OIF demonstrated the need for additional capability in the Active Component. As a result, we are actively pursuing changes in the Active and Reserve Component mix to bring some of these critical skills to the Active forces, giving us more capability to respond in a crisis without having to immediately mobilize the Reserves.

#### **Total Force: AC/RC mix**

The Navy's goal is to properly balance Active and Reserve resources to ensure operational readiness for forward presence and surge capabilities. The global war on terrorism tested our surge capability to meet rapid response contingencies. As a result, Navy proactively addressed imbalances in three particular areas: enhancement of early responsiveness, resolving stressed career fields, and employment of innovative management practices. I will summarize some of the actions the Navy has taken:

- Added over 7,200 new Active and over 1,800 Reserve antiterrorism / force protection billets. This effort started after the attack on USS COLE. As a result the Active Component can now man Force Protection Condition (FPCON) Bravo continually and FPCON Charlie for more than a month without involuntarily activating Naval Reservists.

- Rescinded an earlier decision to decommission an active Seabee battalion, and instead decommissioned several Reserve Seabee units as a neutral cost action. As a result the Navy retained the ability to meet construction engineering requirements in the first 60 days of surge operations using Active Seabee forces.

- Reducing stress on medical support to Marine Reserve units, Navy restructured 525 Reserve Corpsman billets so that when mobilized our Marine reserve units will be supported by active duty rather than all Reserve Corpsmen.

- Converting one Naval Coastal Warfare squadron on each coast, approximately 600 total billets, from the Reserve Component to the Active Component over the next year. Prior to this action Naval Coastal Warfare was a capability that resided 100 % in the Navy Reserve. This will also allow us to meet the first 15 days of potential contingency requirements without mobilization of our reserve forces. The Navy is also in the process of activating and certifying 4 active duty Mobile Security Force Squadrons no later than the end of 2006, approximately 1,200 billets, in order to improve our force protection posture and responsiveness to surge requirements. .

Navy efforts to integrate the force and verify balance have eliminated the need to involuntarily activate Reservists in the first 15 days of surge operations and have reduced stress on our Reserve

Component. These rebalancing actions are in keeping with Secretary Rumsfeld's guidance and allow us to more efficiently use the Navy's Reserve while capitalizing on Navy Reserve strengths.

To further enhance the integration of the Reserve into the Navy mission, the Navy's Reserve is undergoing a "redesign" based on a comprehensive study co-sponsored by the Vice Chief of Naval Operations and the Assistant Secretary for Manpower and Reserve Affairs. This study focuses on three main areas: Personnel Management, Readiness and Training, and Organizational Alignment. The study identified 14 key actions that are being addressed by the Assistant Deputy Chief of Naval Operations (Plans, Policy and Operations).

The Navy is committed to extending our culture of readiness into the future. We must continue to attract, develop and retain a more highly skilled and educated workforce of warriors that will lead the 21<sup>st</sup> century Navy. Continued Congressional support for the resources and tools to support our strategy in training and maintaining these highly skilled professionals is essential to our success.

## **Conclusion**

The U.S. Navy is fulfilling its requirements of the National Security Strategy and we are successfully transforming ... I offer as evidence the ability to surge deploy the force in OIF - - and the ability to offer the President enhanced employment options from the FRP. Your Navy is built to take credible combat power to the far corners of the globe, and every day our volunteer Sailors are dedicated to providing flexible, forward deployed, combat ready power on a moment's notice to ensure the safety and vital interests of United States. We are this way because of the tremendous support we have received from the American people and from the Congress—your continued support is vital to our readiness today and to the preparedness of the Navy of tomorrow. Again, I would like to thank the members of this Committee for this opportunity to discuss the Fleet Response Plan and our plans for the future readiness of the Force.

DEPARTMENT OF THE AIR FORCE  
Presentation to the Committee on Armed Services  
Total Force Subcommittee  
United States House of Representatives

SUBJECT: Adequacy of the Total Force Hearing

STATEMENT OF: Lieutenant General Duncan J. McNabb  
Deputy Chief of Staff for Air Force Plans and Programs

10 March 2004



Mr. Chairman and members of the committee, today I would like to discuss the requirements, challenges, and opportunities the USAF faces as it transforms into a Future Total Force, and highlight some of the innovative new organizational constructs that we will use to meet evolving and future requirements. The USAF is a team of Active Duty, Air Force Reserves, Air National Guard, and civilian personnel brought together to maximize the contributions of air and space power for the security of our nation. We look forward to working closely with you as we integrate these organizations into a Future Total Force that is reshaped to meet the demands and capabilities of the future.

America has entered the 21<sup>st</sup> Century as a nation holding unprecedented military advantages, but at the same time, we face a security environment of unprecedented uncertainty. As two-plus years of a Global War on Terrorism have taught us, our adversaries are fluid and adaptive, changing as we change, to present an ever-moving target to our strategic planners. To meet these unpredictable and varied challenges, we are transforming. We've changed our planning processes to produce a force based on capabilities. Our goal is to continue to transform our air and space forces for flexibility—a force able to conduct operations across the entire spectrum of conflict, from peace operations and homeland security to urban operations and conventional high-intensity warfare. Key to our successful military transformation is producing the Future Total Force that will man our air and space forces.

## **TRANSFORMATION**

A successful military transformation also must be a joint transformation. And by "joint," I don't mean the Services transforming themselves individually at the same time—although that is also important. What I mean is that the Services must "close the seams" that divide their capabilities, to provide the joint force commander with the most effective options for any situation, regardless of what the individual Services contribute and how it is all pulled together. The Air Force plays a critical role in this unification of effort, because we provide so many of the joint "enabling" capabilities that all the branches depend on.

For example, during the race to Baghdad last year, the Marines, Army, and special operations forces bet their lives on air and space power in ways they had not in the past. And these bets paid off better than anyone expected. They paid off in responsive, accurate fire support to our partners on the ground; in a persistent ISR net which gave us unprecedented situational awareness and targeting capability; in rapid resupply and troop transport provided by a new, nimble use of the C-17; and in a robust space umbrella which provided the architecture for unhindered secure communications and precision navigation that has changed the face of warfare.

Almost half the Air Force budget is invested in joint enablers in FY05, and we will sustain this investment into the future.

## **CAPABILITIES**

The combat laboratories of Iraq and Afghanistan have driven home the message that when we can close the seams, we truly transform joint warfighting. We increase the effects that

coalition forces can produce, and we increase the joint force commander's flexibility and rapidity in the fight. This is indeed the end product of transformation.

As the Air Force planner and programmer, I look at planning our future as going from strategy to task to capabilities. To support the national defense strategy of *assure, dissuade, deter, defeat*, what tasks will we need to be able to perform, and then, what capabilities will we need to perform those tasks? So, our approach to planning and programming looks at building our force with a *capabilities-based* process. In the past, we built our force structure program by program and platform by platform, focusing development efforts on making each individual system go higher, faster, and farther, with little consideration of how it would integrate with other capabilities in the Air Force, in other Services, or with our allies. We've had to turn this around. Now we look at our national strategy and determine the effects the Air Force must create. We next determine what capabilities we need to create the desired effects. Only then do we talk about what platforms, or combination of platforms/systems, we need to provide these capabilities. Effects and the capabilities needed to achieve them became the drivers for everything we do.

For instance, the joint forces commander may have an effect in mind, to destroy or neutralize something, to save something, or to simply learn more about it. Creating that effect starts with being able to put the cross hairs over the target. Now, to successfully put cross hairs over the target, many things must happen perfectly. It is indeed the sum of all the parts—sensors; command and control net centricity; decision tools; munitions or payloads; and access, trust, and training. We are striving to put the cross hairs over the target much faster and much more precisely. And the effect does not necessarily have to be a JDAM coming through the skylight. Once we can get the crosshairs on target, we want to give the joint force commander a palette of options—to watch and track the target, to deceive or disrupt it, to save it, or in fact to kill it.

#### THE FUTURE TOTAL FORCE

It is in this context, in our transformation to a capabilities-based, effects-based force, that we are setting the long-term plans for our people. Transformation ultimately is achieved through a marriage of operational concepts, technology, organization, and the people that meld these together. *In the end, the process of transformation begins and ends with people.*

In the next two years, we will find ourselves in the midst of "the perfect storm," with a rare chance to reshape and transform ourselves as a Total Force—first through the BRAC, so we can get our infrastructure right to serve our force structure, and then through the QDR, which will cement our approach for how we train, equip, and organize our force for the future. We say this is a once-in-a-generation opportunity.

Two major considerations will dictate how we reshape the Total Force of the future.

The first is the long-term program for our "iron," our aircraft and materiel. The Air Force's target force structure for 2025 is a product of capabilities-based planning, and as such, we envision a portfolio of military capability that hedges against the uncertainties of the future by investing in new systems and modernizing our legacy systems. We envision a force that capitalizes on the military advantages we enjoy today in stealth, standoff, and precision and one

that creates a modernized, balanced, and affordable force that significantly improves the reach, awareness, responsiveness, and execution of joint operations. By 2025, for example, we expect to employ a fighter and mobility force of much more capable platforms than those fielded today. Fleets of modern, more reliable systems, such as the F/A-22 and C-17, enhanced by joint enablers (space, command and control, network centricity, etc.), will be able to deliver more sorties, more munitions, and more tons of cargo per day.

To do so, however, we will need to have the appropriate mix of personnel and adequate "crew ratios" to ensure we get the most out of these state-of-the-art weapons systems—in other words, a cost-effective surge capability necessary during times of increased operations.

Increased investments in unmanned aerial vehicles; intelligence, surveillance and reconnaissance systems; and space capabilities, meanwhile, will translate into increased prominence for "reachback" roles and missions. These open opportunities for our Reserve personnel to play vital, front-line combat roles without losing the stability demanded by their civilian lives. Imagine, for instance, a reservist who can fly a satellite for a four-hour period before reporting to work at his or her civilian job, and never having to mobilize.

The **second** consideration is our maturation as an expeditionary air and space force. With 75% of our Active Duty force now postured to deploy, we have made the transition from a garrisoned, forward-based force to a flexible force based primarily in the United States, able to conduct a wide range of operations throughout the world. We have reorganized our force structure into ten Air Expeditionary Forces (AEFs), working on a 15-month cycle that puts two AEFs on call to deploy every three months. When off the deployment hook, each AEF goes through a year's progression of rest, reconstitution, training, exercises, and spin up for the next cycle. This way, Airmen's lives regain some stability and predictability. This reliability and stability is critical to our ability to retain our great people for the long term.

To fill our 10 AEF "packages" year in and year out requires a concerted, integrated effort on the part of all the Air Force components. Simply stated, the Air Force could not sustain an expeditionary posture without the Guard and Reserve. Today, even prior to mobilization, 20 percent of our AEF packages are composed of volunteer citizen Airmen. Members of the ARC fly 80 percent of Operation Noble Eagle missions, guarding our nation's skies after the attacks of September 11th. And although world events led us to mobilize a portion of our force, again, the lion's share of these citizen Airmen support our efforts in a volunteer status.

We stood up the AEF in 1998; in practice, our Active, Guard, and Reserve Airmen had been deploying as a fully integrated combat team since the early 1990s, when we took on steady-state responsibilities in Southwest Asia and elsewhere around the globe. Today, we are poised to take the next necessary step in reshaping our force—to further integrate, or "blend," our Active, Reserve, and Guard components formally, across the board, in peacetime as well as in wartime.

We see three compelling reasons for integration:

First, integration allows us to balance personnel tempo appropriately among the components. In an expeditionary environment, it allows us to fully resource the equipment we

have and are going to have, providing a cost-effective force multiplier during surge operations without imposing unneeded overhead in peacetime. We are currently standing up a fully integrated Predator UAV unit at Nellis AFB, the first of its kind, with all three components, Active, Guard, and Reserve, working together as members of the same unit. This will be the first cross-border, multi-state unit, with contributions from the Nevada and California Air National Guard.

What's more, integration allows us to rebalance our skill mix to meet the demands of expeditionary operations. For example, 600 Air Force Reserve instructors are integrated into Specialized Undergraduate Pilot Training programs. They provide highly qualified pilots to train UPT candidates, which releases Active Duty pilots to fill empty weapons system cockpits vacated by separating pilots. At Offutt AFB, Nebraska, 80 Air National Guard personnel are integrated into the 55th Wing, providing aircrew instructor staff and augmenting the operations support function.

At the same time, we are migrating stressed specialties disproportionately represented in the Guard and Reserve to Active Duty billets. For example, two years ago the 939<sup>th</sup> Rescue Wing, a Reserve search and rescue unit flying HH-60 Pave Hawk helicopters out of Portland, Oregon, was serving, de facto, at a full-time "OPTEMPO." We did the sensible thing and converted this unit to Active Duty, moving the aircraft and equipment to Davis-Monthan AFB, Arizona, to marry up with an Active Duty wing. Last December, the Portland Reservists made their first deployment as the new 939<sup>th</sup> Air Refueling Wing—a KC-135 tanker mission—seven months after finishing their conversion training. Usually, a newly converted unit will not deploy for two years; it's a testament to the skills and experience of our Reservists that today we can accomplish these rather seamless restructurings.

Second, integration plays to the strengths of each component. Where the Active Duty provides a guaranteed, on-call resource pool, the Reserve Component brings an invaluable experience base. *We are currently studying a concept in which inexperienced Active Duty fighter pilots and maintenance personnel are "embedded" into an Air National Guard unit.* This isn't a new initiative; we've done it before in the Air Force to respond to manpower fluctuations. This initiative, along with the Reserve fighter associate program, allows young pilots and maintainers the opportunity to work with truly "seasoned" Reserve Component personnel, most of whom have spent significant time on Active Duty and many of whom are instructor qualified. Having highly experienced personnel working side-by-side with the young troops saves countless dollars in training, seasons our more junior Active personnel, and ensures training pipelines continue to flow during normal deployment rotations.

Finally, integration provides a continuum of service, an expansion of institutional knowledge, and preservation of human capital. Integration positions us for the seamless retention of airmen who have decided to leave Active service, helping us recapture our personnel investments. Reservists and Guardsmen bring with them unique capabilities they have acquired in civilian jobs, especially in the technology sector, introducing skills that may not exist in the Active force. And because Reservists do not PCS at the same rate as the Active Duty, they sustain the corporate knowledge base. This mitigates the effects of the higher turnover rate of Active Duty personnel.



In some respects, the Air Force has been integrating since the first Air Force Reserve associate units stood up in 1967. At these bases, which exist at virtually all Air Mobility Command bases today, associate Reserve units operate and maintain the same aircraft as Active Duty units. The increased manpower provides increased mission capability and a surge capability in a cost-effective manner, and takes advantage of Reserve personnel experience. Another example of integrated units is the first "blended" unit, the 116th Air Control Wing at Robins AFB, Georgia. Over the last two years, the 116th took integration to the next level, creating an organization composed of Air Force Active Duty and Air National Guardsmen. The proof of the success of this organization was shown in the crucible of war. When the 116th deployed to OIF in 2003, it was the first ever deployment of a blended wing and the largest ever by the Joint Surveillance & Target Attack Radar System (JSTARS). 730 Active Duty and Guard personnel flew 191 flights in the wing's nine E-8Cs, providing over 3,000 hours on station and generating over 30,000 synthetic aperture radar images. Because of the contributions of the 116th, the Iraqi military could not hide from coalition forces, not even in a sandstorm, and the Race to Baghdad went spectacularly well for our coalition. Your Air Force is continuing to examine new opportunities to integrate various Air Force units where it is clear that such integration will produce measurable benefits, savings, and efficiencies.

To support integration, we also need to ensure that our people are ready to provide a balanced set of capabilities—we need capabilities-based manpower to complement our capabilities-based force structure. Through the new Force Development construct, the Air Force has a transformed vision of how it trains, educates, promotes, and assigns the Total Force in a more deliberate, coordinated, and connected approach. Historically, we have measured the life cycle of our manpower, but not the outputs the manpower produced or the skills it was ready to perform. We focused on a series of transactions throughout an individual's career (e.g., Squadron Officers School, Air Command and Staff College, AFIT, Air War College, Fellowships, Internships, advanced academic degrees, and key assignments), instead of managing the career to produce the outcomes—the effects—needed to fill future Air Force requirements.

As part of this initiative, we've begun providing the opportunity for our enlisted force to obtain advanced degrees from our highly acclaimed Air Force Institute of Technology (AFIT). We're also revamping our personnel assignment system to better develop our future leaders through a purposeful pairing of primary and complementary assignments and experiences. Future plans will expand the Force Development construct to include our Reserve Components, enlisted corps and civilian workforces.

We believe we can successfully integrate by leveraging the unique capabilities and characteristics of each component; however, we strongly intend to allow each to retain its cultural identity. We cannot overlook the fact that citizen Airmen form the backbone of the Reserve Components, and we are highly sensitive to the impact recurring mobilizations have on Reserve Component members and their families, as well as their employers. We believe the synergies achieved through FTF will make the Air Force Team more effective than ever ... and the time has never been better. As we continue to reshape our force while managing limited resources, we look to you for help and support; we cannot do it alone. We need your support as we bring our future, reshaped Air Force through the Congress. We also greatly appreciate your

past legislative support, such as Section 516 of the National Defense Authorization Act for Fiscal Year 2004, which you passed last November.

It is critical to the success of the Total Force, for the barriers it will take down for our commanders. In the end, the Future Total Force is about making the most of our most critical resource—our great Airmen. With the support of Congress, we are confident we can put the right people in the right place with the right training—to fight and win our nation's wars.

Thank you, Mr. Chairman.

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON ARMED SERVICES  
TOTAL FORCE SUBCOMMITTEE  
UNITED STATES HOUSE OF REPRESENTATIVES

Subject: ADEQUACY OF THE TOTAL FORCE

Statement of: LIEUTENANT GENERAL RICHARD E. BROWN III  
DEPUTY CHIEF OF STAFF FOR PERSONNEL, USAF

10 March 2004

**Not for publication until released by the  
Committee on Armed Services  
United States House of Representatives**

## INTRODUCTION

Over the last decade, and especially in the past three years, America's Airmen have responded to dramatic changes in our force structure and the world security environment. Since 1991, we have reduced our active duty force by nearly 40% -- from 608,000 to 375,000 -- while remaining engaged around the world at levels higher than at any time during the Cold War. To prevail in a dangerous and ever-changing world, we have completely transformed our Air Force, from a heavy, forward-based presence designed to contain the Soviet Union and allied communist governments into an agile expeditionary force, capable of rapidly responding on a global scale, with tailored forces ready to deal with any contingency. Since the attacks of 11 September 2001, that transformation has taken on an even more urgent and accelerated pace to respond to the world situation as well as our domestic security environment. This transformation has produced outstanding initial results. But the journey is just beginning.

We recognize the Herculean effort put forth by all members of the force to defend America and her interests abroad. We recognize in particular the stress we have placed on members of the Air National Guard and Air Force Reserve. We are making every effort to relieve the stress on the Airmen who make up those mission-essential forces, just as we are making every effort to relieve the stress on many of our Active Duty members in critical warfighting skills while we work to get down to our end strength objectives. As we respond to the many challenges we face, it is important that we take time to recognize and support the tremendous sacrifices made by Air Force family



members, whose contributions to the overall Air Force team are as crucial as those of any other team members; sometimes even more so.

None of this would be possible without the exceptional support Air Force personnel receive from the Congress. Over the last several years, you have approved significant advances in pay, benefits, and retention incentives for the men and women who serve in all of the military services. These initiatives have made a significant difference for the readiness of your Air Force and the quality of life of our members and their families. They improved retention and increased enlistments, essential to keeping the highly trained professionals in the ranks. This retention has posed some end strength dilemmas for us, but this is a challenge that also allows us opportunities. The poor retention we experienced in recent years has been reversed, a testimony to both your support and the patriotism of young Americans who join and continue to serve. But we have to keep our focus. As we've experienced in the past, positive retention trends are dependent on many rapidly changing dynamics and we can't afford to take our eyes off the ball. Thus, in the coming years we will continue to watch our retention of key warfighting career fields. The battle of is not won. But we have made much progress.

#### DEVELOPING AIRMEN -- RIGHT PEOPLE, RIGHT PLACE, RIGHT TIME

At the heart of our combat capability are the professional Airmen who voluntarily serve the Air Force and our nation. Airmen create air and space power. Our Airmen turn ideas, tools, tactics, techniques, and procedures into global mobility, power projection, and battlespace effects. It is with this understanding that the Air Force embraced a new

Personnel Vision and Strategic Planning Construct to help transform management of "Airmen" across the Total Force (active duty, Air National Guard, and reserve; officer, enlisted, and civilian).

We are refocusing our personnel processes and delivery systems on achieving the capabilities and creating the effects which produce for our Air Force the Right People, possessing of the skills, knowledge and experience necessary to perform their missions at the Right Place and Right Time. This New Vision succinctly states the role of our manpower, personnel, and training professionals: defining mission requirements; continually refreshing the pool to maintain an effective balance of youth and vigor, age and experience; deliberately developing the skills, knowledge and experience required by our combatant and support missions; sustaining the Force by meeting the needs of our Airmen and their families; and providing synchronized and integrated program management and service delivery systems.

Our strategic goals focus on the effects of the personnel mission and the specific capabilities our system offers to our Airmen and their leaders. Two of these goals, Define and Renew, focus on our force size and end strength will serve as our framework for the written testimony that follows, just as they are part of the underlying framework for our personnel vision. In these areas we will discuss key issues facing the Air Force today, and what we are doing in each of those cases to look forward and ensure we are building the right force for tomorrow.

**Define:** Implement a capabilities-based requirements system that meets surge requirements and optimizes force mix (Active duty, Air Reserve Component, civilian, and contractors) to produce a flexible and responsive force

**Renew:** Maintain a diverse, agile workforce that leverages synergy between active duty, air reserve and civilian components, and private industry to meet requirements and sustain capabilities

#### DEFINE:

As we define the Air Force of the future we must determine our end strength needs, we must shape the force to meet those needs, and we must relieve the current stress on our most heavily stressed career fields. These are complex and inter-related issues. The process by which we approach this challenge involves how we manage our Total Force of Air Force active duty members, Air National Guard, Air Reserve, and Air Force civilians. It also encompasses the steps we are taking to relieve pressure on our Guard and Reserve forces.

#### – End Strength:

During the last several years, following the recruiting and retentions shortfalls of the late 90's, the Air Force has brought thousands of sharp, motivated people into our ranks-- essentially, all of those who wanted to serve in the Air Force were welcomed. To meet end strength, we rolled up our sleeves and increased recruiting. Incredible patriotism prompted by the attacks on 11 September 2001 surged our growth and follow-on imposition of Stop Loss put us well above our authorized end strength. We are proud of

the efforts of our outstanding Air Force professionals in the war on terrorism and are delighted that so many people want to be a part of our winning team. These very positive facts, together with an attractive compensation package and an uncertain economy, have reduced what would have been normal attrition. In other words, not as many people left the Air Force in the last several years as we had anticipated.

As a result, for the last several years we have exceeded our authorized active end strength of 359,000. Air Force active duty military end strength (i.e. billets) is set at 359,300 for FY 04, 359,700 for FY 05. The actual number of personnel assigned to the Air Force at the end of FY03 was 375,000 -- approximately 16,000 personnel above our currently authorized target.

YEAR	ACTIVE	GUARD	RESERVE	TOTAL
FY99	360590	105715	71772	538077
FY00	355654	106365	72340	534359
FY01	353571	108485	74869	536925
FY02	368251	112075	76632	556958
FY03	375062	108137	74754	557953
FY04	375959	107030	75800	558789

Chart 1: Actual End Strength Positions

The charts appended at the end of this document illustrate these actual trends from FY99 through FY04 and the projected trends through FY09.



This over end strength position is a temporary situation fueled by the Global War on Terrorism (GWOT), and we are working to meet our authorized strength. As we work to reduce the size of our active force by 16,000 people over the next several years, we will also work to reshape the force to correct existing skill imbalances and account for a new range of missions in the GWOT. This work is a deliberate, incremental approach, which ensures we not only have the proper number of people, but that we also have them in the proper skills, and that we ensure mission capability throughout the process, and posture the force to meet future requirements. Our trend of requested endstrength reflects a more incremental approach to sizing out forces.

YEAR	ACTIVE	GUARD	RESERVE	TOTAL
FY99	370882	106991	74242	552115
FY00	360877	106678	73708	541263
FY01	357000	108000	74300	539300
FY02	358800	108400	74700	541900
FY03	359000	106600	75600	541200
FY04	359300	107000	75800	542100
FY05	359700	106800	76100	542600
FY06	360000	106900	76300	543200
FY07	360000	107100	77000	544100
FY08	360000	107100	76800	543900
FY09	360000	107100	76800	543900

Chart 2: End Strength Requested in Budget

Because we have more people in the Air Force than the number of our currently authorized billets, it has led some to ask if we need to increase the size of the force to

accomplish the mission, especially with increased/extended mobilization. The answer is that first we need to ensure that we are using the people we have in the most efficient and effective way. Manpower, like dollars, is sized to provide capabilities within our allocated end strength. We have a life cycle system that reviews our manpower requirements versus currently authorized end strength and makes appropriate allocation decisions to achieve optimum force utilization, and minimize stress. Manpower requirements are compared to our personnel inventory and adjustments to accessions, training and manning are made to meet those requirements. As these adjustments are made, the Air Force and DoD are constantly reviewing end strength needs. At present, we are working deliberately to measure stress and make informed reallocation decisions within the existing force, and have not exhausted all potential internal sources to address stress on the force. People costs account for a significant portion of the Department's budget—the Air Force must ensure optimum allocation of existing force assets before requesting an expensive increase to military end strength.

In our aggregate review, we have found that current force structure seems adequate in total numbers but the skills mix must be adjusted. As the Air Force adapts to a capabilities construct, we are adjusting our manpower requirements processes. We are starting with requirements to meet the warfighting commander's needs across the spectrum of conflict. Military requirements to meet these needs form the bedrock of our force. Additive to those military needs are our requirements for in-garrison missions, such as our nuclear forces, space missions, training infrastructure, etc. We continue to review our requirements to ensure we use military resources for military

tasks and look to civilians and contractors to meet the balance of our human resource needs. As force structure changes in response to emerging threats, we will adjust manpower to support that new structure. The Guard and Reserve forces that support our Total Force team are designed to meet the Nation's call in times of crisis, such as the current Global War on Terrorism (GWOT). Activation of the Guard and Reserve in times of crisis is not, in and of itself, a reason to seek an increase to end strength. As part of our review, we are taking a hard look at missions currently assigned to Active, Guard, and Reserve in light of the foreseeable future requirements for conflicts, and seeking to achieve the correct balance among these total force components. Through effective balancing of total force missions and maximum use of volunteerism in Guard and Reserve units, we can maximize the use of all of our military personnel assets and minimize the length of time Guard and Reservists are activated.

Throughout this process, we must adjust our manpower and personnel policies and systems to meet current needs and anticipate future requirements. Because we are dealing with human beings and processes that are measured in years (ex. growing a trained mid-grade NCO) we need to be prudent in the speed and magnitude of the changes we make, and we must avoid permanent fixes to temporary challenges. Simply put, we cannot saw the controls of our systems back and forth, but instead must ease them into new positions. Significant changes in the requirements in a particular specialty may drive changes in areas such as: Recruiting policies to attract the right people; Training systems to include (potentially) MILCON for new facilities; Forced

retraining or reenlistment bonus policies to achieve and maintain 100% manning; and permanent changes of station to move people to where these new requirements are placed. Since these changes directly impact our people, who serve voluntarily, we need to be prudent in the speed and magnitude of the change, in order to avoid unintended adverse consequences, including unanticipated drops in recruiting and retention. Our challenge is to make the right personnel policy decisions and implement them so that our human resource systems react quickly enough to meet emerging requirements, while not causing undue hardships on our people.

#### -- Shaping the Force:

The Air Force is planning to implement several measures to shape the force as we move back to our authorized end strength -- knowing as we do so that we must also reduce the stress on many of our "over stressed" career fields. This will be a multi-step process, but our guiding principles will be simple. We want to properly size the Air Force to meet the needs of our Air Expeditionary Force construct, our in-garrison requirements and our training requirements. We want to ensure that we draw down smartly, by specialty (and by specific year groups within those specialties) where we have more people than we need. At the same time, we want to correct our skill imbalances, increasing the number of people in our shortage specialties. However, perhaps most importantly, as we shape the force, we want to be sure that we avoid involuntary "draconian" measures that break faith with our people. With these guiding principles clearly in view, we are taking a number of deliberate and very specific steps to shape the force.



In broad terms, we are addressing force shaping in two ways: first, by reducing personnel overages in most skills; and second, by shaping the remaining force to meet mission requirements. To reduce personnel, we will employ a number of voluntary tools to restructure manning levels in Air Force career specialties, while adjusting our active force size to our authorized end strength requirements. As we progress, we will evaluate whether we need to modify these steps, or implement additional force shaping measures.

We are taking a hard look at where our people are. In some cases, we have Airmen serving in jobs outside the Air Force who do not deploy as part of an Air Expeditionary Force (AEF). Some of these, such as joint positions and some defense agency positions, require uniformed people, and we benefit by having an Airman's perspective in those jobs. Others, however, may not require an airman or a military person at all. These are military positions that we are working to reclaim into our ranks. By taking the steps to return these Airmen "to the fold", we will ensure we have more military positions available to support our critical warfighting skills, as well as increasing the number of personnel available to support our AEF rotations overseas, which in turn will reduce stress on the rest of the force.

We are implementing a program that will move us toward our goal of getting our authorized strength and our personnel skill mix right. This program includes initiatives such as restricting reenlistment in overage career fields, voluntary transfers from Active Duty to the Guard and Reserves, shortening service commitments, limiting officer

continuation for those deferred for promotion, commissioning ROTC cadets direct to the Guard and Reserves, limiting reclassification of those eliminated from technical school, rolling back separation dates, and officer and enlisted retraining.

If at all possible, our goal is to give every qualified Airman who wants to stay in the Air Force the opportunity to do so. In addition, we will use every tool to shape the force we have available to avoid the extreme measures used in the early 1990s, including involuntary separations and arbitrarily reduced accessions, which undermined the morale and confidence of the force, and created long term force management challenges.

-- Stressed Career Fields:

The events of 9/11 and the subsequent increase in deployments to support a variety of operations around the globe have resulted in a significant increase in operations tempo and sharply accelerated the existing stress on some elements of the force.

Complicating this problem is the fact that the additional stress is unequally distributed across the various Air Force skill sets. Nevertheless, the Air Force is working to level the stress across the force to an acceptable rate, albeit higher than pre- 9/11 stress levels.

The Department of Defense initiated 20,000 military to civilian replacements beginning in FY 04. The Air Force share was 4,300 of these. The Air Force had also been working on realigning our military authorizations into stressed career fields that better

address post 9/11 workloads. We addressed reducing and balancing stress with numerous manpower and personnel initiatives. Beginning in FY03, we redirected 1,110 initial accession/training students to our most stressed specialties. In FY04, we expanded our efforts with actions including: redirecting an additional 1,060 initial accession/training students to stressed specialties; identifying 1,400 authorizations to redirect to Security Forces; adding over 900 civilian authorizations to stressed areas to free up military members for warfighting duties; and moving another 900 billets from less stressed to most stressed AFSCs. For FY05 we are projecting the realignment of an additional 900 billets from less stressed to most stressed AFSCs -- along with adding 1,600 military billets to these specialties through a combination of mil-civ replacements and other programmatic actions. We are also finalizing requirements for additional training and accession adjustments. Finally, we have already begun to address FY06 by dedicating another 400 military positions for stress in our initial calculations.

Significant technology solution purchases made during FY 03 are also offsetting manpower requirements. A Security Forces \$352M technology purchase reduced unfunded Security Forces manpower requirements by 3,000 (with 1,600 of these in the active duty) beginning in FY 04. Additional significant efforts are underway to further relieve and balance stress. We continue to work with Defense Agencies to reduce our total number of military positions in these functions, replacing them with civilians where appropriate. Collectively, these efforts are enabling the Air Force to meet the Secretary of Defense's vision of moving forces "from the bureaucracy to the battlefield."

-- Total Force Management – Active, Guard, Reserve and Civilian:

Today we are also shaping what our Total Force will look like in the future. As we carefully review what each component brings to the fight, we work to ensure the best capabilities are retained and nurtured. Just as in combat overseas, we are continuing to pursue seamless ARC and active duty integration at home, leveraging the capabilities and characteristics of each component, while allowing each to retain their cultural identity. We continue to explore a variety of organizational initiatives to further integrate our Active, Guard, and Reserve forces. These efforts are intended to expand mission flexibility, create efficiencies in our Total Force, and prepare for the future. Today's Future Total Force team includes a number of blended or associate units that are programmed or already hard at work. The creation of the "blended" unit, the 116th Air Control Wing at Robins Air Force Base, Georgia, elevated integration to the next level. With an initial deployment of over 730 personnel, and significant operational achievements in OIF, we are now examining opportunities to integrate Active, Guard, and Reserve units elsewhere in order to produce even more measurable benefits, savings, and efficiencies. The reasons for this type of integration are compelling. We can maximize our warfighting capabilities by integrating Active, Guard, and Reserve forces to optimize the contributions of each component. Reservists and Guardsmen bring with them capabilities they have acquired in civilian jobs, leveraging the experience of ARC personnel. As an added benefit, this integration relieves PERSTEMPO on the active duty force. Because ARC members do not move as often, they also provide much needed corporate knowledge, stability, and continuity. Finally, integration enhances the retention of Airmen who decide to leave active service.



Because the Guard and Reserve are involved in many Air Force missions, we recapture the investment we've made by retaining separating active duty members as members of the ARC—a clear “capability” enhancement for the Air Force and the country.

-- Relieving Pressure on the Guard and Reserve:

Although we continue to benefit from outstanding volunteerism from our Guard and Reserve forces, we are reviewing our Guard and Reserve manpower to minimize involuntary mobilization of ARC forces for day-to-day, steady state operations while ensuring they are prepared to respond in times of crisis. Since 9/11, we've mobilized more than 64,800 Air Force Guard and Reserve personnel in over 100 units, and many more individual mobilization augmentees. Today, 20 percent of our Air Expeditionary Force (AEF) packages are comprised of citizen Airmen. In addition, members of the Guard or Reserve conduct 89 percent of Operation NOBLE EAGLE missions. We recognize these demands have placed significant stress on our ARC forces, and we are taking steps to relieve the pressure on the Guard and Reserve.

In FY05, we plan to redistribute forces in a number of mission areas among the Reserve and Active components to balance the burden on the Reserves. These missions include our Air and Space Operations Centers, remotely piloted aircraft systems, Combat Search and Rescue, Security Forces, and a number of high demand global mobility systems. We are working to increase Guard and Reserve volunteerism by addressing equity of benefits and tour-length predictability, while addressing civilian employer issues.

We are in the second year of our agreement to employ Army National Guard soldiers for Force Protection at Air Force installations, temporarily mitigating our 8,000 personnel shortfall in Security Forces. As we do this, we are executing an aggressive plan to rapidly burn down our need for Army augmentation and working to redesign manpower requirements. Our reduction plan maximizes the use of Army volunteers in the second year, and allows for demobilization of about one third of the soldiers employed in the first year. Simultaneously, through agreement with the Army and CENTCOM, we are providing Air Force personnel to meet some critical Army requirements in the on-going OIF operations.

At the center of our efforts to relieve pressure on the Guard and Reserve are our efforts to use innovative personnel management initiatives to enhance flexibility and reduce involuntary mobilization. A number of these initiatives focus on promoting volunteerism among Guard and Reserve members. For example, relative to the aforementioned efforts to mitigate the Security Forces shortfall is the ARC Security Forces augmentation program. In December 2003 the Air Force initiated a prototype program to use ARC volunteers (of all specialties) to assist in installation force protection. The initiative allows ARC members to serve flexible tours as force protection augmentees, assisting in such duties as vehicle inspection and entry control. This centrally funded program allows commanders to access a ready pool of willing volunteers and enables reservists to augment their military skills.

We are also exploring a concept called Sponsored Reserve. This initiative involves a pre-contracted, voluntary agreement among the military, the ARC member, and industry to fill high-demand, critical skills that are honed in the civilian sector and that the Air Force requires for contingency situations.

An essential element in our efforts to promote volunteerism is to provide predictability via the AEF rotation schedule. Not only are ARC members integrated into a predictable Total Force AEF schedule, but units are also afforded flexibility through internal Guard and Reserve rotations for AEF support in the case of high-demand/low density specialties. For example, in executing the COMMANDO SOLO Special Operations mission, the Pennsylvania Air National Guard's 193d Special Operations Wing uses predictable 45-day rotations. In this way, even with a high operational tempo, members are afforded a high degree of predictability, which eases pressure on them, their families, and their employers.

There is no doubt that in the Global War on Terror, the United States Air Force has relied on the critical mission skills that our Guard and Reserve warriors bring to the fight. Simply put, we could not have accomplished the mission without them, and our seamless integration of Active and ARC forces continues to facilitate their participation. But we also recognize that, in the long-term, we must make every effort to relieve the pressure on our ARC forces. Just as we must take steps to ensure the long-term health of our active duty forces, so too must we ensure the long-term health, combat capability,

and career viability of our citizen soldiers in the Air Guard and Reserve. We are committed to doing so.

## RENEW

Our focus on renewing our force will examine the issues of recruiting, retention, and diversity, and their overall effect on the health of our force. These efforts directly affect our long-term ability to not only meet our authorized end strength, but to also ensure our ability to sustain the force with the proper skill mix (capabilities) into the future. A continued emphasis on these programs and their funding is essential to the long-term health of the Air Force. This is another area, which demands small, and incremental changes if any must be made, and we are carefully managing the controls of the systems

### -- Recruiting:

To renew our force, we target our recruitment to ensure a diverse force with the talent and drive to be the best Airmen in the world's greatest Air Force. We will recruit those with the skills most critical for our continued success. In FY03, our goal was 6607 officers and 37,000 enlisted; accessing 6,548 officers and 37,144 enlisted. For FY04, we plan to access 5,795 officers and as many as 37,000 enlisted. In FY05 we plan to access 35,600 enlisted and 5,724 officers. In FY06 our goal is 34,600 enlisted and 5,625 officers.

These measured decrements in our recruiting goals are part of our deliberate effort to bring down the overall size of the force to meet authorized end strength without



jeopardizing the long-term health of the force by drastically reducing the number of our new accessions. As we learned after the post-Cold War draw down when we slashed the number of accessions and associated training (we cut pilot training, for example, from 1,500 per year to 500 per year) we built long term structural personnel deficits into our inventory of trained personnel, with the result that shortages of particular year groups will be with us for up to 20 years. This time, in our efforts to solve a short-term problem, we are determined not to create a long-term problem of even greater significance. This is a cornerstone of our approach to renewing the force in the environment of the early 21<sup>st</sup> century.

We also closely monitor recruitment for the Air Reserve Component (ARC). Historically, the ARC -- comprised of the Air National Guard and Air Force Reserve -- access close to 25 percent of eligible, separating active duty Air Force members with no break in service between their active duty and ARC service. This "capability continuity" is a key ingredient in mission effectiveness of ARC units, and an important element of our Active /ARC integration and utilization strategy.

Although we are currently meeting our recruiting goals and maintaining high standards for accessions, we need to keep our focus. Your continued support of our recruiting and marketing programs goes a long way to keeping the Air Force competitive in an uncertain job market. We are mindful of our experience of a decade ago. In a period when recruiting and retention looked positive, we allowed our recruiting investments to lag behind the growing challenges of the market place and found ourselves chasing a

"sine wave." In the past several years, we reversed course and made the investments needed to tune our recruiting engine. We need to sustain that engine now with proper care and maintenance. Additionally, these investments contribute to improved esprit de corps within our force, and further our efforts to retain the right people and shape our force for the future

-- Retention:

The Air Force is a retention-based, all volunteer force. Because the skill sets of our Airmen are not easily replaced, we expend considerable effort to retain our people, especially those in high technology fields and those in whom we have invested significant education and training. In 2003, we reaped the benefits of an aggressive retention program, aided by a renewed focus and investment on education and individual development, enlisted and retention bonuses, targeted military pay raises, quality of life improvements, and a reinforced advertising campaign. While we are still grappling with skewed retention numbers affected by STOP LOSS in 2002, we are nevertheless seeing very positive signs overall. Our officer retention rates for FY03 and so far in FY04 are above previous years. For the enlisted force, our retention is healthy, but we must continue to actively manage our force. Our current first term aggregate retention rate is 67%, which is well above our goal of 55%. For second term, we are on the mark with 75% and we are exceeding our 95% goal with 98% of our career Airmen being retained.

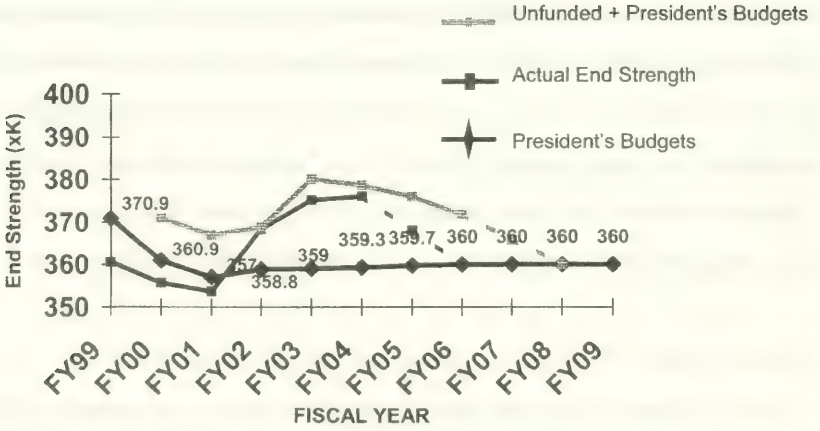
Part of our ability to succeed in our recruiting and retention efforts stems directly from our ability to offer market-based bonuses and incentives to groups where we have traditionally needed the extra help. Our retention efforts reflect what has already been stated about recruiting: Our efforts right now are paying dividends for the Air Force and we must sustain this trend for the future. We fully recognize our ability to offer bonuses is a valuable and scarce resource, which is why we've ensured active senior leadership management in these programs, including semi-annual reviews of which career specialties, and which year groups within those specialties, are eligible for bonuses.

## CONCLUSION

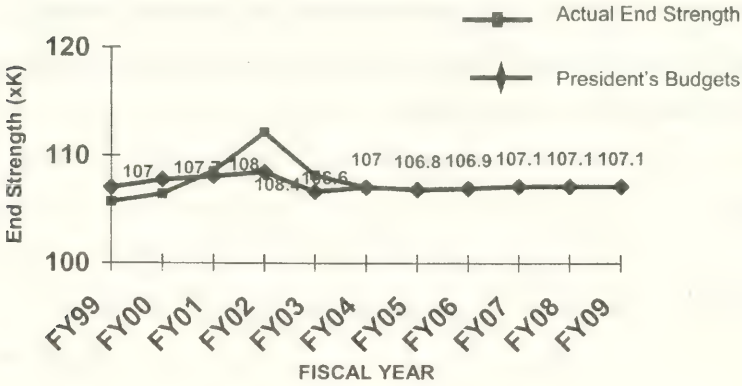
The Air Force team is moving into the 21<sup>st</sup> century assured of only three things: That the challenges will be great, that the resources given to us by the American people -- to include their sons and daughters -- are resources that require our best possible stewardship, and -- most importantly -- that superior leadership will be indispensable. We are committed to providing the nation with the best-trained, best led, personnel on the planet. It's that simple ... and that important.

### Actual and Projected Manpower Trends

Active Duty End-strength: actuals and unfunded (FY99-FY09)

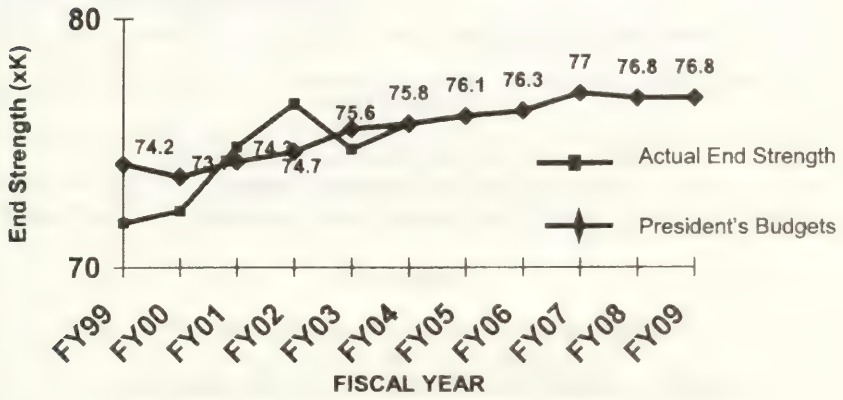


Guard End-strength: Actuals and authorized (FY99-FY09)





Reserve End-strength: Actuals and authorized (FY99-FY09)



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TOTAL FORCE SUBCOMMITTEE  
OF THE HOUSE ARMED  
SERVICES COMMITTEE

STATEMENT OF

LIEUTENANT GENERAL GARRY L. PARKS  
UNITED STATES MARINE CORPS  
DEPUTY COMMANDANT FOR MANPOWER AND RESERVE AFFAIRS

AND

LIEUTENANT GENERAL JAN C. HULY  
UNITED STATES MARINE CORPS  
DEPUTY COMMANDANT FOR PLANS, POLICIES, AND  
OPERATIONS

BEFORE THE

TOTAL FORCE SUBCOMMITTEE  
HOUSE ARMED SERVICES COMMITTEE

CONCERNING

ADEQUACY OF THE TOTAL FORCE

ON

MARCH 10, 2004

NOT FOR PUBLICATION  
UNTIL RELEASED BY THE  
TOTAL FORCE SUBCOMMITTEE  
OF THE HOUSE ARMED  
SERVICES COMMITTEE

Chairman McHugh, Congressman Snyder, and distinguished Members of the Subcommittee:

We are honored to appear before you today to provide an overview of your United States Marine Corps. The continued commitment of the Congress to increasing the war fighting and crisis response capabilities of our Nation's armed forces, and to improving the quality of life of your Marines, is central to the strength that your Marine Corps enjoys today. We thank you for your efforts to ensure that Marines and their families are poised to continue to respond to the nation's call in the manner Americans expect of their Corps.

### **OVERVIEW**

United States Marines are deployed around the world in 2004 – from Iraq and Afghanistan to Northeast Asia, from the Republic of Georgia to the Horn of Africa, and from the Philippines to Haiti. Marines deployed at sea on the warships of Naval Expeditionary Strike Groups are conducting sustained operations ashore in support of U.S. security interests and commitments. Our top priority continues to be to maintain a high state of readiness and to provide forces capable of meeting the demanding needs of the Unified Combatant Commanders and our Nation in the prosecution of the Global War on Terrorism.

Since the end of major combat operations in Iraq, the Marine Corps has been “setting” the force in order to enhance warfighting readiness for future contingencies. Our single greatest concern as we look beyond Operation IRAQI FREEDOM II is setting the force for subsequent training and operations. When we refer to setting the force, we are addressing our ongoing efforts to maintain the combat readiness of your Marine Corps. In our preparation for current global operations, Operational Tempo (the rate at which units deploy), Personnel Tempo (the amount of time pursuant to orders an individual spends away from home on an exercise or

operational deployment) and the maintenance, repair, or replacement of equipment is our focus. Starting in January, and continuing through today, the Marine Corps is deploying forces to relieve the 3d Armored Cavalry Regiment and the 82d Airborne Division in Western Iraq in support of Operation IRAQI FREEDOM II.

While the force is under some stress due to increases in unit Operations Tempo, individual Personnel Tempo, and the effort to repair and maintain our equipment, we continue to meet our operational commitments. During 2004 Marine Expeditionary Units will still deploy as part of Naval Expeditionary Strike Groups in support of Combatant Commander requirements. Units will continue to deploy to Okinawa and Iwakuni, Japan. However, some of those forces will subsequently deploy from Okinawa in support of Operation IRAQI FREEDOM II. Marine Corps units continue to support exercises with our joint and coalition partners that are critical to supporting the Combatant Commanders' Theater Security Cooperation Plans, and counter-drug operations in support of joint and joint-interagency task forces. While the pace of operations remains high, our recruiting and retention efforts continue to meet their goals. We are continually monitoring the health of our Service, and we are focused on ensuring that the Marine Corps remains ready for all current and future missions.

#### **END STRENGTH**

The Marine Corps is assimilating the Congressionally authorized increase in Marine Corps end-strength to 175,000. The increase of 2,400 Marines addressed an urgent need to train and maintain additional Marines for the long-term requirements associated with the Global War on



Terrorism. It has been particularly important in enabling us to provide the Nation with the 4<sup>th</sup> Marine Expeditionary Brigade (Anti-Terrorism), a robust, scalable force option specifically dedicated to anti-terrorism..

The Marine Corps is expeditionary by nature and therefore accustomed to deploying in support of contingency and forward presence missions. We are structured in such a way as to satisfy our enduring requirements and meet operational contingencies as long as the contingencies are limited in duration. At the present time we do not believe that an increase in endstrength is necessary. We can satisfy our current operational requirements through selective use of Congressional authorizations and flexibilities. Using measures such as expanded cross year extensions, voluntary retiree recall, targeted Selective Reenlistment Bonuses, increased accessions, adapting non-infantry units such as artillery battalions into a provisional infantry role, and continued judicious use of Reservists will allow us to satisfy our requirements. Moreover, we are looking at a number of initiatives to enhance and better target our reserve capabilities. Similarly, we will continue to pursue complementary initiatives, such as military to civilian conversions in order to realign more Marines into the operating forces.

Again, while stretched, we are meeting our operational commitments. Our higher operational and personnel tempos have not decreased the propensity of great Americans to either enlist or reenlist.

### **MANAGING TIME AWAY FROM HOME**

The Marine Corps remains committed to maintaining the proper balance between operational deployments and the quality of life of our Marines and their families. Having said

this, Marines join to train and deploy, and we do not disappoint them. Service in the Marine Corps requires deployments for readiness and mission accomplishment.

As a result of the current operational requirements, the Personnel Tempo (PERSTEMPO) of our Marines has increased. Presently, there are 1,959 active component Marines and 2,079 Reserve component Marines who have exceeded the 400-day PERSTEMPO threshold as compared to 331 active component Marines and 891 Reserve component Marines at this same time last year. Additionally, we have 42,721 active component Marines and 17,099 Reserve component Marines who have accumulated between 182 and 399 PERSTEMPO days, as compared to 29,831 and 6,199 one year ago, respectively. The significance and impact of the increased numbers of Marines with high PERSTEMPO numbers remains to be seen. The Marine Corps benefits by being largely composed of first term Marines, whose retention is less affected by increased operational requirements. Of primary concern, then, is the impact on our career force, especially the officers and the staff non-commissioned officers in the 8 to 12 year range. Whether increased levels of PERSTEMPO adversely affect the retention of our Marines, to what extent, and whether they are sustainable, depends upon the duration of the increased PERSTEMPO. To date, there is no evidence that this has adversely affected the retention of Marines.

Each individual Marine is different, but all are influenced to some degree by intangible factors such as the quality of leadership and the care and concern shown for family members who must endure long separations. In general, Marines are recruited based on these intangibles and they will accept greater hardships and longer deployments as leaders inspire trust, and link them personally to the fulfillment of national and strategic goals.

**MOBILIZATION**

Since 9/11, the Marine Corps has relied on our Total Force concept, the mobilization of both the Selected Marine Corps Reserve and Individual Ready Reserve Marines in response to both internal and joint operational requirements. The Marine Corps maximized the use of Individual Ready Reserve volunteers to meet these requirements, primarily in the areas of staff augmentation and force protection. At the height of Operation ENDURING FREEDOM and Operation IRAQI FREEDOM, the Marine Corps had 21,316 reserve Marines on active duty. As of March 1, 2004, we had 5,398 Marines mobilized; 4,114 in Selected Marine Corps Reserve units and 1,284 Individual Augmentees. Overall, we have approximately 7,500 SMCR unit Marines that will be mobilized for our Operation IRAQI FREEDOM II-1 and II-2 requirements.

The Marine Corps has since 9/11, had 1,169 Marines activated more than once, of which 387 are currently activated. Furthermore, the Marine Corps involuntarily activated 2,063 Individual Ready Reserve Marines for use as linguists, intelligence specialists, and for force protection requirements. Of these 2,063, only 307 remain activated; 271 who voluntarily extended their activation orders, and the remaining 36 who asked to complete their existing activation orders will deactivate by April 2004. Since 9/11, 47 percent of our Selected Marine Corps Reserve Marines, 59 percent of our Individual Mobilization Augmentees, and 5 percent of our Individual Ready Reserve Marines have been activated at least once.

Similar to the active component, the challenge for the reserve component is managing the high demand/low density specialties such as Civil Affairs, KC-130, military police, and intelligence. To date, 96 percent of the Civil Affairs, 89 percent of the KC-130, 72 percent of law enforcement, and 69 percent of the intelligence Reserve Marines have been activated as compared to 50 percent of reserve infantry Marines. The continuing demands being placed on

the high demand/low density skills is not unique to the Marine Corps, and is something that we, along with the other Services, will address as we rebalance the force.

### **MARINE CORPS RESERVE**

From immediate support on September 11, 2001 to combat operations in Afghanistan in 2002 and Iraq in 2003, the Marine Corps Reserve has demonstrated its ability to rapidly mobilize combat ready Marines to augment and reinforce the active component. As mentioned earlier, in support of Operation NOBLE EAGLE and Operation ENDURING FREEDOM, 4,463 reserve Marines were on active duty in March 2002. Just over a year later 21,316 Reserve Marines were on active duty in May 2003 to support Operation IRAQI FREEDOM, representing 52 percent of the Selected Marine Corps Reserve. Marine Corps Reserve units and individuals were ready and rapidly integrated into gaining force commands, fighting along side their active component counterparts and making a difference, demonstrating a key core competency emphasized in *Marine Corps Strategy 21*. Judicious employment of reserve Marines remains a top priority of the Marine Corps to ensure they retain the capability to augment and reinforce the active component.

A strong Inspector-Instructor system and a demanding Mobilization and Operational Readiness Deployment Test program ensure Marine Corps Reserve units achieve a high level of pre-mobilization readiness. Marine Corps Reserve Units continuously train to a high readiness standard, eliminating the need for post-mobilization certification. Ninety-eight percent of Selected Marine Corps Reserve Marines reported for mobilization and less than one half of one percent, just .4 percent, requested a deferment, delay, or exemption. For Operation IRAQI FREEDOM the Marine Corps Reserve executed a rapid and efficient mobilization with units



averaging six days from notification to being deployment-ready and 32 days from deployment order to arrival in theater.

Building on the important lessons learned of the last year, the Marine Corps is pursuing several initiatives to enhance the Reserves' capabilities as a ready and able partner of the Total Force Marine Corps. These pending initiatives include: increasing the number of Military Police units in the reserve component; establishing a Reserve Intelligence Support Battalion that will enhance command and control of reserve component intelligence assets, to include placing Reserve Marine Intelligence Detachments at the Joint Reserve Intelligence Centers; returning some of our Civil Affairs structure to the active component to provide enhanced planning capabilities for operational and Service headquarters; and bolstering the Individual Augmentee management program to meet growing joint and internal requirements.

Successful recruiting is essential to replenishing the force and maintaining a high state of readiness. Sustaining our ranks with the highest quality young men and women is the mission of the Marine Corps Recruiting Command. Our Recruiting Command has accomplished this mission for more than eight years for enlisted recruiting and 13 years for officer recruiting. This past year the Marine Corps recruited over 100 percent of its goal with over 97 percent Tier I High School graduates. The Marine Corps Reserve achieved its fiscal year 2003 recruiting goals with the accession of 6,174 Non-Prior Service Marines and 2,663 Prior Service Marines. For fiscal year 2004, both active and Reserve recruiting remain on track to meet their respective missions. This year, as force structures are developed to pursue the Global War on Terrorism, your support is essential in arming our recruiters with the resources they need to ensure the readiness of your Marine Corps.

**RETENTION**

A successful recruiting effort is but one part of placing a properly trained Marine in the right place at the right time. The dynamics of our manpower system must match skills and grades to our Commanders' needs throughout the operating forces. The Marine Corps endeavors to attain and maintain stable, predictable retention patterns. However, as is the case with recruiting, civilian opportunities abound for Marines as employers actively solicit our young Marine leaders for private sector employment. Leadership opportunities, our core values, and other similar intangibles are a large part of the reason we retain dedicated men and women to be active duty Marines after their initial commitment. Of course retention success is also a consequence of the investments made in tangible forms of compensation and in supporting our operating forces – giving our Marines what they need to do their jobs in the field, as well as the funds required to educate and train these phenomenal men and women.

**Enlisted Retention**

We are a young force. Achieving a continued flow of quality new accessions is of foundational importance to well-balanced readiness. Within our 154,600 Marine active duty enlisted force, over 27,000 are still teenagers and 104,000 are on their first enlistment. As noted at the outset, in fiscal year 2004 we will reenlist approximately 25 percent of our first-term Marine population. These 5,974 Marines represent 100 percent of the career force requirement and will mark the tenth consecutive year that we will achieve this objective. Moreover, we introduced the Subsequent Term Alignment Plan in fiscal year 2002 to track reenlistments in our career force. In fiscal year 2003, our second year, this proved to be a huge success as we met our career reenlistment goals and achieved a 94 percent skill match. Given the strong draw from the civilian sector, further emphasis in retention of our career force was achieved by effectively

targeting 40 percent of our Selective Reenlistment Bonus program resources to maintain an experience level on par with previous years. The Selective Reenlistment Bonus is a powerful tool and we take great pride in our prudent stewardship of these resources. In the aggregate, we are seeking a judicious increase in Selective Reenlistment Bonus funding for fiscal year 2005 to \$56.7 million, from \$51.8 million in fiscal year 2004. While the Selective Reenlistment Bonus is just one-half of one percent of our military personnel budget, it allows us the means to effectively target our retention efforts.

A positive trend is developing concerning our first term non-expiration of active service attrition – those Marines who depart before their enlistment term has completed. As with fiscal years 2002 and 2003, we continue to see these numbers decrease. The implementation of the Crucible and the Unit Cohesion programs continues to contribute to improved retention among our young Marines who assimilate the cultural values of the Corps earlier in their career. The impact of this lower attrition allowed a reduced recruiting mission in both fiscal years 2003 and 2004.

Our enlisted force is the backbone of the Corps and we make every effort to retain our best people. Although we regularly experience minor turbulence in some specialties, the aggregate enlisted retention situation continues to be encouraging. We are segmenting and tracking retention indicators closer than ever and the numbers remain solid. Given the demands on our Corps, we will continue a watchful eye on the statistics.

Primarily because these quality young Marines remain in high demand in the civilian sector, some shortages continually exist in high-tech Military Occupational Specialties that are an important part of our war fighting capability. These highly technical specialty shortages include intelligence, data communications experts, and air command and control technicians. As

mentioned, specialty shortages are addressed with the highly successful Selective Reenlistment Bonus program. The Selective Reenlistment Bonus program clearly improves retention within our critical skill shortages. In fiscal year 2004, the Corps is continuing to pay lump sum bonuses, thus increasing the net present value of the incentive and positively influencing highly qualified, yet previously undecided, personnel. It is a powerful influence for the undecided to witness another Marine's reenlistment and receipt of his or her Selective Reenlistment Bonus in the total amount. And, with the added benefit of the Thrift Savings Program, our Marines can now confidently invest these funds toward their future financial security.

### **Officer Retention**

Overall, officer retention continues to experience great success. Our aggregate officer retention rate reached a nineteen-year high of 93.5 percent in fiscal year 2003. The significant increase in our officer retention rate directly corresponds to a reduction in voluntary separations. Nevertheless, as with the enlisted force, we have some skill imbalances within our officer corps; fixed-wing aviation, intelligence, and command and control.

While fixed wing pilot retention remains a concern, we are cautiously optimistic. Aggregate fiscal year 2003 retention targets for aviators were met, though deficiencies remain in some fixed wing pilot year groups based on attrition from the late 1990's. In the interim these gaps are covered by rotary wing pilots and naval flight officers filling a larger share of staff billets, thereby not impacting the flying squadrons. Retaining aviators involves a concerted effort in multiple areas. Important elements include recent retention initiatives that reduce the time to train, and supplementary pay programs such as Aviation Continuation Pay provide a proactive, long-term aviation career incentive to our field grade aviators. We remain focused on



retaining mid-grade aviators – junior majors through lieutenant colonels – and will continually review our overall aviation retention posture to optimize our resources.

Overall, the Marine Corps' officer and enlisted retention situation is very encouraging. With the phenomenal leadership of our unit commanders, we expect to achieve every strength objective for fiscal year 2004, and start fiscal year 2005 poised for continued success. Again, while the Corps is stretched to meet current operational commitments, this has not negatively impacted our recruiting nor our retention; however, we continue to monitor both very closely. The Marine Corps remains optimistic, thanks in large measure to the continued support of Congress.

### CONCLUSION

Through the remainder of fiscal year 2004, and into fiscal year 2005, our Nation will likely remain challenged on many fronts as we prosecute the Global War on Terrorism. Services will be required to meet commitments, both at home and abroad. Marines, sailors, airmen, and soldiers are the heart of our Services – they are our most precious assets – and we must continue to attract and retain the best and brightest into our ranks. Transformation will require that we blend together the “right” people and the “right” equipment as we design our “ideal” force. We look forward to working with the Congress to “do what’s right” to maintain readiness and take care of your Marines.

The Marine Corps continues to be a significant force provider and major participant in joint operations. Our successes have been achieved by following the same core values today that gave us victory on yesterday’s battlefields. Our active, reserve, and civilian Marines remain our

cornerstone and, with your continued support, we will achieve our goals and provide what is required to accomplish the requirements of the nation. Marines are proud of what they do! They are proud of the "Eagle, Globe, and Anchor" and what it represents to our country. It is our job to provide for them the leadership, resources, quality of life, and moral guidance to carry our proud Corps forward. With your support, a vibrant Marine Corps will continue to meet our nation's call as we have for nearly 229 years! Thank you for the opportunity to present this statement.

Semper Fidelis



# U.S. Marine Corps Total Force Manpower Trends

185

Active

180

175

170

FY99

FY01

FY03

FY05

FY07

FY09

FY15

47

Reserve

45

43

41

39

37

FY99

FY01

FY03

FY05

FY07

FY09

235

Total Force

230

225

220

215

210

205

FY99

FY01

FY03

FY05

FY07

FY09

FY15

FY99  
FY01  
FY03  
FY05  
FY07  
FY09  
FY15

MOB Actual Budgeted

Covered by Supplemental Funding & other Internal Resources





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**DOCUMENTS SUBMITTED FOR THE RECORD**

MARCH 10, 2004

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Defense Daily  
April 22, 2004  
Pg. 1

## **SBIRS High Needs Another \$1 Billion, Raising Total Closer To \$10 Billion Mark**

By Amy Butler

Cost for the Pentagon's troubled next-generation, space-based missile warning system will boost by \$1 billion, raising the total bill for the Lockheed Martin [LMT] Space Based Infrared System (SBIRS) High to nearly \$10 billion, according to Air Force officials.

Earlier cost estimates rounded out at about \$8.6 billion for the program. In a statement yesterday, Air Force officials said the extra \$1 billion would be needed to carry the effort through FY '13. The Air Force is continuing to refine a "replan" of the program, which is expected in June.

A more precise cost estimate is expected then, as well, the statement said. The service issued the statement in lieu of an interview on the topic.

The SBIRS High constellation will include five geostationary (GEO) satellites (including one launch-ready spare) and two payloads flown on separate classified host spacecraft in highly elliptical orbit (HEO).

Just more than two years ago, the Pentagon informed Congress the program breached the Nunn-McCurdy law, which outlines guidelines for programs exceeding cost estimates by more than 25 percent. After infusing more than \$2 billion into SBIRS High, officials had thought the effort was on solid ground.

Problems delivering the constellation's first HEO payload, built by Northrop Grumman [NOC], have since caused significant schedule delays to both portions of the program. HEO-1 delivery is now set for July, at least 18 months later than planned. Delays were prompted because officials had trouble isolating and nulling electromagnetic emissions on the payload. Because it will ride on a classified satellite--likely a signals intelligence spacecraft--that requires no electromagnetic interference, they were forced to continue testing and quelling the spikes, a painstaking process.

Trouble in the HEO segment of the program boiled over, however, causing a one-year delay to delivery of the first GEO satellite to fall 2007. Company officials diverted resources to the HEO problem, causing the delay in the GEO effort, Air Force Program Executive Officer for Space Lt. Gen. Brian Arnold told reporters this month at the 20th National Space Symposium in Colorado Springs, Colo. (*Defense Daily*, April 1).

He also said officials expect to request a reprogramming to garner more funds for SBIRS High in FY '05. The Pentagon requested \$508.4 million for the program in the FY '05 budget now under scrutiny by Congress.

Lockheed Martin officials are optimistic the HEO delivery will occur as planned.

"We have directed additional significant corporate resources to the program to strengthen the program's

leadership and to improve our progress toward resolving technical problems," a company spokeswoman said. "We anticipate successfully delivering the first space components of this vital system to our customer later this year so that our nation's warfighters can have access to the critical capabilities that will be made possible by SBIRS."

The service briefed acting Pentagon acquisition chief Michael Wynne on the status of the program on Tuesday.

The program has been through a number of challenges already this year. In February, Wynne requested a study of options to handle the SBIRS High mission, an early signal of the problems now coming to light.

The Air Force, in its statement released yesterday, noted that SBIRS High is the choice for the Pentagon's needs.

"The SBIRS High will replace the current defense support program (DSP) [satellites] and will support the four mission areas of missile warning, missile defense, technical intelligence and battlespace characterization," the statement said.

Also around that same time, SBIRS High program manager Col. Mark Borkowski abruptly decided to retire after his name had appeared on the list for promotion to brigadier general, a move that sparked rumors of problems in the effort. When the Nunn-McCurdy breach occurred, the Air Force's leadership specifically assigned Borkowski the task to clean up the program, publicly showing support for him. The colonel retired for personal reasons, and has declined to discuss the issue publicly.

Col. Randall Weidenheimer has been named acting program director.



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**QUESTIONS AND ANSWERS SUBMITTED FOR THE  
RECORD**

MARCH 10, 2004

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## QUESTIONS SUBMITTED BY DR. SNYDER

Dr. SNYDER. Why is the Army's end strength characterized as "emergency" when you expect to be at higher levels for the next five years? What would happen to Army's transformation proposals if the national emergency authority is not extended?

General CARTWRIGHT. Under the declaration of national emergency, the Army's temporary increase in end strength enables the Service to continue its modular transformation—with minimal stress on the force—even though a significant number of its units are engaged in the Global War on Terrorism. While operational requirements constrain the rate at which the Army transforms, the temporary increase in end strength mitigates force management risks.

A temporary increase in end strength is recommended over a permanent increase for two primary reasons. First, it allows the Army to complete transformation initiatives while meeting current global commitments. Second, it defers permanent, and more costly, manpower decisions until current global commitments stabilize. A permanent increase in end strength reduces flexibility by requiring the Army to build force structure that may not be needed in the future.

Since the emergency authorization is explicitly tied to wartime requirements, removing it means the Army has significantly fewer forces deployed, and therefore, more available to effect its transformation. Removing the emergency authorization prior to reducing current deployment levels simply causes the Army to take longer to transform.

Dr. SNYDER. The Army plans to exceed its authorized end-strength by as much as 30,000 positions over the next several years as part of its transformation proposal. Please provide us a breakdown of which units will be receiving an increase and what that increase will be, including which MOSs within the units are expected to be increased. Also, how will the Army employ these units?

General CODY. The temporary strength increase of up to 30,000 provides additional soldiers and time between deployments for the Army to convert to a brigade Unit of Action (UA) based force while maintaining the high operation tempo in support of the Global War on Terrorism. The increased strength is not targeted toward any specific unit or set of military occupational specialties (MOS). Modularity will convert the 33 maneuver brigades in today's active-component Army into 43 to 48 brigade Units of Action. The plan involves converting maneuver brigades and support forces to a standardized design during post-Iraq/Afghanistan reset operations. The new brigades will include military intelligence, signal, artillery and reconnaissance capabilities previously located at the division level. Additionally, some corps-level support capabilities will also move down to the brigades. As the unit conversions take place, some MOSs will grow while others decrease or shift to other organizations. The largest growth will be in infantry and military intelligence specialties.

The 3rd Infantry Division, which returned from Iraq in September 2003, is serving as the first test bed of the modularity concept. The 101st Airborne Division (Air Assault) and the 10th Infantry Division (Mountain) will be the next two divisions to undergo structure change. In the future, a brigade Unit of Action could be employed with any division or joint task force with little or no augmentation or reorganization. This will greatly increase the Combatant Commander's ability to rapidly defeat any adversary or control any situation across the full range of military operations.

The Army is also aggressively rebalancing capabilities within, and between, its active and reserve components. These efforts will increase high demand capabilities (like military police, civil affairs, etc.), decrease reliance on reserve component units early in an operation, and divest of cold war structure that is no longer relevant for our current security environment.

Dr. SNYDER. How long does the Army expect to continue its use of stop-loss? In order to achieve the transformational goals established by the Chief, will the Army need to continue use of stop-loss until FY09, when you expect to return to current authorized end strength?

General CODY and General HAGENBECK. The commitment to pursue the Global War on Terrorism for the foreseeable future, to provide our combatant commanders the force to decisively defeat the enemy and ensure our formations are ready for the warfight will determine how long the current Stop Loss programs remain in effect. The focus of Army deployments is on trained and ready units, not individuals. Stop Loss is the policy that effectively sustains a force, which has trained together, to remain a cohesive element throughout its deployment. Stop Loss is a measure that does not permanently affect the Army's end strength and affects only the deployed or deploying forces. Consequently, the plan to transform the Army is not contingent upon the use of Stop Loss. Maturation of the Army initiatives of modularity, restructuring/rebalancing the AC/RC force mix, and force stabilization will, over time, eliminate the need for Stop Loss as, by design, they create stabilized, cohesive and ready units.

Dr. SNYDER. The Army is planning civilizing up to 15,000 military positions. Civilianization of military positions requires up-front costs, in terms of filling the position with a civilian and retraining the military personnel. Does the Fiscal Year 2005 (FY05) budget request include the funding to allow the Army to conduct this conversion? If so, how much has been budgeted for the military to civilian conversion?

General CODY and General HAGENBECK. Yes. The Army included \$189.5 million to fund Military to Civilian Conversions in its FY05 Operations and Maintenance budget.

Dr. SNYDER. The Navy finished FY03 over end-strength at 382,235. Presently, the Navy is about 6,000 over its end strength. A chart that was provided lays out the Navy's end strength for the coming years. It shows that last year, the President's budget proposed to reduce Navy end-strength to 371,600 in FY05, a 2,200 reduction. This year, the President's budget proposes to reduce end strength in FY05 to 365,900, which is nearly an 8,000 reduction.

Given that the Navy finished FY03 above end strength, and you are currently 6,000 over end strength and we are nearly 6 months into the FY04, does the Navy still expect to achieve its authorized end strength this year, let alone meet the 8,000 reduction in end strength by the end of FY05?

Admiral HOEWING and Admiral GREEN. As we continue in our ongoing force shaping effort, Navy does anticipate meeting the FY 2004 statutory end strength authorization of 373,800, as well as the FY 2005 end strength of 365,900, reflected in both the Defense Authorization Request and the President's Budget Submission. During the first five months of FY 2004, Navy reduced strength, from 382,235 to 378,576, and we anticipate further reduction, to 377,128, by the end of April.

Dr. SNYDER. What actions, if any, is the Navy considering in order to meet this objective?

Admiral HOEWING and Admiral GREEN. We will employ a variety of tools currently available to us to ensure we make the right decisions about who we will retain, and in what skills, and who we will separate:

- **Perform to Serve (PTS)**—PTS enhances Navy readiness by moving experienced Sailors from over manned to undermanned ratings, thereby balancing our force profile while capitalizing on investments we have made in these proven professionals by retaining them in our ranks. It also instills competition in the retention process. Under PTS, most Sailors reenlist within their current ratings because that is where we need them and because it is cost-effective and enhances readiness. Others are encouraged to convert from over manned to undermanned ratings, where vacancies diminish readiness. Sailors who convert receive training in their new skill areas and may be eligible for a bonus upon incurring additional obligated service. The pilot program has proven so successful in steering Sailors in over manned ratings into skill areas where they are most needed, that the program has been expanded.
- **Lateral Conversion Bonus (LCB)**—Authorized by Congress in the fiscal year 2004 Defense Authorization Act, Lateral Conversion Bonus targets Sailors we need to convert to undermanned ratings in the middle of a period of obligated service. The sooner we convert them to skill areas in which we need them, the sooner we realize a return on investment through enhanced personnel readiness. Earlier conversion also accelerates the Sailor's competitiveness within the new rating, thereby, enhancing their chances for advancement.

Because we place great value on the professionalism of dedicated and experienced Sailors, we are making every reasonable effort to retain them through conversion, reserving as a last resort any decision to separate them from the Navy. This makes good sense from a readiness perspective, is responsible stewardship of taxpayer dollars and keeps faith with those who voluntarily serve by affording them the oppor-



tunity to remain in the Navy even if we no longer require their services in the capacity for which they originally enlisted.

- **Assignment Incentive Pay (AIP)**—Authorized in the fiscal year 2003 Defense Authorization Act, AIP attracts qualified Sailors, by permitting them to bid for additional monetary compensation in return for assignment to a select group of hard-to-fill duty locations. An integral part of CNO's Sea Warrior strategy, AIP is enhancing combat readiness by permitting market forces to efficiently distribute Sailors where they are most needed. Since the pilot program began last June, more than 1,100 AIP bids have been processed, resulting in 238 Sailors receiving an average of \$245 extra pay each month. More importantly, challenging duty assignments have been filled without having to force service members to accept such assignments, thus contributing to improved quality of service.
- **Selective Reenlistment Bonus (SRB)**—We have enjoyed much success in our retention efforts of recent years; however, we must not except the notion that the tools that made such successes possible are no longer needed. SRB authority has come increasingly under fire because of the funding required to support it. This has been, and continues to be, our most valuable incentive, directly responsible for much of our unprecedented retention successes in the key skill sets required to maintain combat readiness. SRB adjustments were repeatedly refined last year to improve manning within specific skills (Navy Enlisted Classification (NEC) Codes), vice overall ratings. The direct cost avoidance associated with not having to access, train and grow replacement personnel far outweighs the funds expended to retain Sailors in critical skills using the SRB. Added to that is the costs we would have paid in decreased personnel and military readiness had we not been so successful in retaining these outstanding professionals in needed ratings.

There are additional force shaping methods available, such as involuntary release from active duty, selective early retirements or further accession reductions, although they are not necessarily the preferred approach to achieving our force shaping requirements. Consequently, we continue to evaluate additional potential tools that would permit us to incentivize voluntary behavior on the part of our Sailors, thereby allowing us to more effectively and precisely shape the force while sustaining recent retention, recruiting and quality of service success, thereby avoiding the kinds of adverse impacts experienced as a result of draconian involuntary separation methods used during the post-Cold War drawdown.

Dr. SNYDER. If the Marine Corps must continue to provide forces for operations in Iraq, how long can the Marine Corps sustain its current operational requirements without increasing end strength?

General HULY and General PARKS. The Marine Corps, as are the other services, is under some stress due to increases in maintenance cycles and operational tempo. We have taken careful and deliberate steps to manage our operational tempo. For instance, by limiting our current unit rotations to seven months in Iraq, and judicious use of our Reserve units and individual augmentees, we feel that this is the best approach for the Marine Corps to limit the stress on the force while still being able to conduct contingency operations (e.g. Haiti). Through careful maintenance management our material readiness has shown steady improvement. We believe that we will be able to sustain the present end strength unless the number of commitments that we support increases, the force levels for existing commitments are expanded, or temporary surge requirements take on a more permanent nature.

Dr. SNYDER. If the Marine Corps must continue to provide forces for operations in Iraq, what effect will these continued Iraq deployments have on the Marine Corps readiness to respond to other contingencies?

General HULY and General PARKS. As a force we are under some stress due to increases in maintenance cycles and operational tempo, as are all of the Services. However, through careful maintenance management our material readiness has shown steady improvement. We have taken careful and deliberate steps to manage operational tempo. For instance, in our commitments in support of Operation Iraqi Freedom II, we have limited unit rotations to seven-month periods, and made judicious use of Reserve units and Individuals Augments. We feel that this is the best approach for the Marine Corps to limit strain on the force, while maintaining the ability to respond to contingency operational requirements, such as the current situation in Haiti. We are structured in such a way as to satisfy our enduring requirements and meet operational contingencies, as long as the contingencies are temporary in nature.

### QUESTIONS SUBMITTED BY DR. GINGREY

Dr. GINGREY. I have a very deep concern about some of the discussion about the possibility of decommissioning squadrons, the reserve component squadrons. And particularly as it might apply to my own district, could you speak to that?

Admiral GREEN. The Navy will disestablish VFA-203 on 30 June 2004, having met the notification and reporting requirements set forth by Congress. Disestablishing VFA-203, along with transitioning other Naval Reserve F/A-18 squadrons, will result in a more efficient use of aviation assets. Under TacAir Integration and the Fleet Response Plan, funding profiles are programmed to maintain higher readiness, enabling greater surge capacity and enhancing our ability to fight and win the Global War on Terrorism. There are no plans to disestablish VAW-77 or VR-46, the other two Naval Reserve squadrons that remain in your district.

### QUESTIONS SUBMITTED BY MR. COOPER

Mr. COOPER. Could you be more specific to the committee, perhaps in writing exactly which positions you are thinking of converting?

General BROWN. Our approach to shaping the force involves both internal military realignments and, where appropriate, replacement with civilians. We expect to impact portions of the following specialties with mil-civ conversions:

History; Airfield Management; Air Traffic Control; Aircrew Life Support; Weather; Avionics; Aerospace Ground Equipment (AGE); Metals Technology; Ground Radar Systems; Electronic Systems Maintenance; Missile Maintenance; Maintenance Data Systems; Maintenance Production Mgmt; Supply; Nuclear Weapons Maintenance; Information management; Computer Systems; Pavement and Construction; Engineering; Operations Management; Public Affairs; Personnel; Education and Training; Manpower; Paralegal; Chaplain Asst; Contracting; Finance.

As we work these realignments and replacements we are also closely evaluating our personnel inventory to ensure we are accessing, training and assigning people to meet our most pressing needs while bringing our total strength down to authorized levels.

**FISCAL YEAR 2005 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON DEFENSE HEALTH PROGRAM: CURRENT AND FUTURE ISSUES**

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
TOTAL FORCE SUBCOMMITTEE,  
*Washington, DC, Thursday, March 18, 2004.*

The subcommittee met, pursuant to call, at 9 a.m. in room 2212, Rayburn House Office Building, Hon. John M. McHugh (chairman of the subcommittee) presiding.

**OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE**

Mr. MCHUGH. We will call the subcommittee to order.

With someone whose name is John Patrick McHugh, I want to start by saying to that anonymous staff person who felt a 8 o'clock a.m.—which I just came from, as Dr. Snyder and others did—and then a 9 a.m. subcommittee hearing the morning after St. Patrick's Day was a good idea, I just want to say—

But I certainly want to welcome you all here today this morning, and we are meeting to hear testimony on current and future issues of the Defense Health Program (DHP) from the perspective of the Department of Defense (DoD) beneficiary groups and private industry. And as I said, I want to welcome all of our witnesses, all three panels.

The Department faces significant challenges today as it carries out its dual mission of maintaining medical readiness capabilities for wartime, while providing peacetime health care for an estimated 8.9 million eligible beneficiaries. What makes the challenge more, shall we say, interesting is that it is rightly expected that the Department provide the highest quality of care in an environment where health care costs continue to rise.

This subcommittee has already held two hearings this year to examine health matters related to the Global War on Terrorism, and during today's hearing we will attempt to focus on the adequacy of the Defense Health Program budget for fiscal year 2005, especially in light of the increasing number of beneficiaries utilizing the military health system, the national phenomenon of rising health care costs, and the significant growth of \$1.6 billion in the annual contribution to the Medicare eligible retiree health care accrual fund to support TRICARE for life. We will also look at the status of the transition efforts to the next generation of TRICARE contracts.

By the end of 2004, the Defense Health Program will have undergone really a colossal effort, during a time of war of course, of



transitioning billions of dollars worth of existing contracts into new and very different contracts, and I think it is important we ensure that the transition to those new contracts in no way negatively impacts beneficiary health care and that hopefully it improves optimization of military treatment facilities while providing and preserving high quality accessible health care.

I also want to review the efforts that have been made to improve access to health care both in the direct care system and through civilian health care providers. We will also take this opportunity to review efforts to enhance collaboration and sharing of health care resources between the Department of Defense and Veterans Affairs (VA), especially those recommendations made last year by the President's task force to improve health care delivery for our Nation's veterans.

We also want to hear DOD's progress in implementing the enhanced health care benefits for the Reserve components enacted in the 2004 National Defense Authorization Act (NDAA) and the Department's response to recommendations made by Dr. Alfred Buck and his colleagues in the 2001 report to DOD regarding defense health care reforms.

Before I refer to the subcommittee's ranking member and our partner in this effort, Dr. Snyder, I want to express my deep appreciation to all of the panelists, but certainly the first panel and witnesses for their steadfast dedication and spirited leadership in caring for millions of military beneficiaries, and no other single health care system has ever experienced the incredible complexities as that of the Defense Health Program, especially with the added challenges, as I noted, in supporting a war. And you have all of our expressions of gratitude and support. So thank you for that.

And with that, I would be happy to yield to the ranking member, the distinguished gentleman from Arkansas, Dr. Snyder.

[The prepared statement of Mr. McHugh can be found in the Appendix on page 661.]

**STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, RANKING MEMBER, TOTAL FORCE SUBCOMMITTEE**

Dr. SNYDER. Thank you, Mr. Chairman, and I look forward once again to going through this series of panelists today on these very important topics.

First of all, looking at four doctors there, I knew I would be distracted. I had things frozen here yesterday. I know that you all are trying to figure out what the hell did he have done there. I was trying to be a good patient.

As we go through this today, I hope that you all will look on these hearings—and speaking to all panelists now—as an opportunity to tell us what the problems are. I mean, you have, I think, some of the most complex stuff that any system the military can deal with, and we can help you all best do your jobs if you let us know where the problems are. In my view, this should not be an opportunity just to tell us all the good things going on, but we want to know what is next for dealing with things.

The whole issue that the next generation of TRICARE contracts is one of those things, if it doesn't—if it is not done right, we will



hear about it. I mean, we will be spending, all our staff will be spending time on the phone trying to work through these problems. So we certainly want an update on that.

The whole issue of medical readiness, some of us have heard about that as we have had so many guys, particularly from Guard and Reserve forces, concerns about was everybody ready to go.

The issue of the transition when our folks come back, the ones that have had illnesses and injuries overseas and how they are working on down the system as their life is going to go on dealing with these wounds and injuries that they received.

And, finally, I particularly want to hear the reaction of everyone of the report from Dr. Buck but also from the report that was put out. As you know, Dr. Buck chaired the Federal Advisory Committee on the Department of Defense Health Care Quality Initiative's review panel. It was established in response to concerns that the quality of care in the military health care system was not up to the same standards as the civilian sector, that its mission was to determine whether the military health care system is consistently delivering quality, professional health care services, which is I know your all's goal and mission.

This report, as you all may know, came out right around the time, shortly I believe it was, September 11th, 2001. And while some in the Congress had asked it be done in response to some negative press—lengthy press investigation has been done in the military health care, obviously attention went elsewhere after September 11th, 2001. And so Congressman Cooper had brought this to our attention and Dr. Buck. And so we hope you all respond to where we are at with that now.

But thank you all for being here, and I look forward to spending the weekend here with you and—I am sorry—spending the morning here with you and Mr. McHugh.

[The prepared statement of Dr. Snyder can be found in the Appendix on page 666.]

Mr. McHUGH. I hope that doesn't become a prophetic statement, Doctor, but we will see.

And in that regard, before we begin, let me just state we do have three panels comprising of 10 witnesses. That will undoubtedly take some time. These are important matters, and certainly we want to give them our full attention. But we would certainly appreciate the witnesses who do come doing their best to try to summarize their testimony. We do have their written statements in their entirety. Without objection, those will be ordered into the record in their entirety. Hearing no objection, so ordered.

And as I said, we want to make sure we do justice to this very important issue, but by the same token the weekend does approach.

Let me with that welcome our first panel. And first of all, I am proud to introduce Dr. William Winkenwerder, Jr., who is the Assistant Secretary of Defense for Health Affairs, Department of Defense. Mr. Secretary, thank you for being here.

Lieutenant General James Peake, Surgeon General, Department of the Army. General, good to see you again. I should note that General Peake will retire this summer, I am told. It is not my desire, but I am told you will after some 38, almost 38 years in mili-

tary service, and grand service it has been. And as an American citizen, I thank you, but as a subcommittee chairman, someone who has been involved in the issues over which you have purview, I want to thank you for your leadership and for your invaluable contributions and wish you all the best in the future, and thank you for being here today as well.

Vice Admiral Michael L. Cowan, Surgeon General of the Navy. Admiral, good to see you. And Admiral Cowan, we are going to have a tough time replacing these two gentlemen. Admiral Cowan is going to retire after only a mere 32 years of service. And Admiral, as with General Peake, you too depart with our Nation's and my personal gratitude for all of your sacrifices, contributions on behalf of your Nation but in your capacity, more importantly, to the men and women under your command whose every day has benefited from that service. Thank you, sir.

And Lieutenant General George P. Taylor, Jr., Surgeon General of the Air Force, who I don't believe is retiring. Are you?

General TAYLOR. No, sir.

Mr. MCHUGH. Good.

General TAYLOR. Not until after the hearing.

Mr. MCHUGH. So I appreciate all of your being here.

Now, I have two little red lights staring at me. I have never in my years of chair used those red lights and I would like to resist that today. So even though they are on, we are not going to start with those on but if it becomes a problem we may have to go to the five-minute rule. But for the moment you can ignore those.

So, gentlemen, again thank you for being here. And Mr. Secretary, we are honored to start with you and our attention is yours, sir.

#### **STATEMENT OF HON. WILLIAM WINKENWERDER, JR., MD, MBA, ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS**

Dr. WINKENWERDER. Thank you, Mr. Chairman, members of the subcommittee. Thank you for the opportunity to discuss the Department of Defense military health system. I have submitted a more detailed written report, but let me share some highlights now.

Over the past year the military health system has performed superbly on all fronts: Supporting operations in Iraq and Afghanistan, ensuring troop readiness, supporting activated Reserve component members and their families, and, as you noted, awarding a full set of new TRICARE contracts. There has been significant and really great progress on all fronts.

Despite serving in some of the toughest environments imaginable, disease and nonbattle injury rates among our deployed personnel are the lowest ever. The services have improved medical screening to ensure forces are healthy, and they have increased emphasis on theater surveillance, allowing commanders and medics to identify health hazards. The services evaluate all members pre and post-deployment, and permanent health records are maintained.

There is some good news from our service members returning. Over 90 percent of 300,000 redeploying service members have re-

ported to us that their health status is good, very good, or excellent.

In January, we initiated a quality assurance program to monitor the service health assessment progress, and that includes periodic visits to military bases to assess compliance.

The services continue to immunize troops from disease and agents that could be used as biological weapons, including anthrax and smallpox. To date, we have vaccinated over one million service members against anthrax and more than 580,000 against smallpox. Both programs are built on safety and effectiveness, and they are both validated by outside experts.

Ensuring medical readiness of activated reservists and providing full coverage for their families is one of our highest priorities. As we proceed, we believe that we must carefully review the cost of providing increased entitlements and benefits to reservists who have not been activated, and perhaps to think about a demonstration program to test the feasibility and effectiveness of such benefits. I will be happy to talk about that more in the question and answer period.

To support combat operations in Afghanistan and Iraq, medical care was deployed far forward, available within minutes of injury. Over 98 percent of casualties who arrived at medical care survived their injuries, a remarkable statistic, and over one-third were returned to duty within 72 hours.

Far forward medical care, improved personnel protection, and solid procedures are saving lives. For those seriously ill or injured, we rapidly evacuate to definitive care using intensive care teams to treat patients during transit. I am sure all of our surgeons will be able to talk about that, and specifically General Taylor.

Specialized programs are available at our larger medical centers, particularly at Walter Reed Army Medical Center and the National Naval Medical Center at Bethesda. Walter Reed, I might note, has a world-class amputee management program, and I am sure General Peake can talk about that.

Mental health is integral to overall health, and the services have full mental health service programs at home and for our deployed. These include suicide prevention and stress management programs that are supported by our leadership and tailored to the operation. I know there has been a lot of interest in the issue of mental health, rightly so, and again General Peake and I both will be glad to answer questions about that.

Improved predeployment screening created a backlog of activated reservists awaiting clearance to be deployed. We learned about that problem in the late summer and early fall. The Army has worked diligently to alleviate this backlog, and the number of troops in this status is declining. We are committed to deploying healthy and fit forces and to providing comprehensive post-deployment health evaluations and care where that is needed.

The Department has improved the transition of care for service members to the VA. VA counselors today advise the seriously injured on benefits, disability ratings, and how to file claim forms before the members discharge from the hospital. That is a very good new system. We have implemented the first stage of our computer-



ized medical record, and we are pursuing full sharing of information, health information with the VA today.

To improve TRICARE, as you note, we have reduced the number of TRICARE regions from 11 to 3, and reduced the number of contracts from 7 to 3. We have markedly improved claims processing, and we now enjoy what we believe is industry leading performance. In 2003, for example, we processed over 104 million claims. That is a lot of claims. And over 99 percent were processed within 30 days. That is an excellent record.

Beneficiaries are seeing continued improvements to customer service, quality, and access to care. Certainly there is more to do, but there has been really nice progress.

The new TRICARE governance plan will streamline management and enhance customer service. The new TRICARE regional directors will integrate military facilities and civilian networks to ensure adequate beneficiary support.

We are employing another new position, and that is the senior market manager, to optimize resources in each of the 13 multi-service markets where we have more than one service with a military treatment facility.

Satisfying beneficiary health care needs is a key objective for the new TRICARE contracts. We actively monitor the quality of care within the military health system. We use today a series of metrics, measures, survey data, and other health care industry standards to monitor care in both the direct care system as well as in the purchase care sector.

Defense Health Program costs continue to rise. In 2003, we saw a seven percent increase in new users, and we expect the same this year in 2004. This growth we believe is due to increased use of TRICARE by our military health system eligible beneficiaries, principally retirees, who are it appears dropping private insurance and using TRICARE full time.

To fund this growth, the fiscal year 2005 operation and maintenance appropriations submission is 15 percent more than this year. That is a big jump. Not reflected in this request, I might add, are the costs of the Medicare Eligible Retiree Health Care Fund, which, as you noted, is going up as well, which pays for the TRICARE for Life benefit and funds for the Global War on Terrorism requirements.

The Department has taken several actions to better manage our resources. We are implementing performance-based budgeting and we are introducing a new pharmacy benefits program starting in June of this year. Let me note that Federal pricing of pharmaceuticals and the new TRICARE Retail Pharmacy Program we believe will significantly restrain growing costs and help us in the management of pharmaceutical cost rise, that whole issue.

We need your help in restoring the flexibility to manage Defense Health Program resources. With the new contracts and our new prospective payment system, we need flexibility to move funds between direct and private sector care. Currently, the military treatment facility revised financing funds are in the private sector budget, requiring—as we have now, the requirement to obtain re-programming approval limits our flexibility. We appreciate the Congress' desire to protect military facility funding. However, the



current restrictions are having an adverse effect. We urge that you allow us to manage the Defense Health Program as an integrated system so that funds can flow in the year of execution to where the health care is delivered.

I have been on the job now for two and a half years and I have had the opportunity to visit military medical units worldwide. I am extremely proud of the men and women who serve their country in the military health system. They are courageous, dedicated, and caring professionals. They are really America's best, and I am proud to serve with them.

With your support, we will continue to offer world class health care to the men and women serving in our military, and I thank you for the opportunity to be here. And with that I am happy to, after the others, to take questions.

[The prepared statement of Dr. Winkenwerder can be found in the Appendix on page 670.]

Mr. McHUGH. Thank you very much, Mr. Secretary.  
General Peake.

#### **STATEMENT OF LT. GEN. JAMES B. PEAKE, SURGEON GENERAL, U.S. ARMY**

General PEAKE. Mr. Chairman, Congressman Snyder, distinguished members, what a great Army you have. I cannot be more proud of the institution or more proud of the most important element in that institution, and that is its people, and serving those people is what Army medicine is really all about. It is our obligation to give them the best care, technically the best, with focus on prevention, with access when it is needed, with dignity and respect that demonstrates to them the value that America places in their service, their service as a soldier, as a family member, supporting that soldier as a soldier who has served its country through retirement. It is not adequate but austere kind of care they deserve, but the very best they can be given and to the same high standard regardless of the location around the world where we might send them in service of the Nation.

I know from my many times before you and from your unwavering support that this committee expects nothing less than that from us.

Many of you have visited our returning wounded at Walter Reed. You have seen the team of teams kind of effort that gives these soldiers the opportunity to return to maximum functionality despite serious injuries. It comes from great clinical leaders like D.J. McCleric during the physical therapy clinic, the wraparound psychological counseling, the partnership with the VA to have the best of prosthetics and orthotics, And it takes the orthopedic excellence that has been recognized by the American Orthopedic Association leadership. But it is more than that. It is the 24 by 7 family support center that deals with the whole spectrum of the human dimension in these soldiers as they are integrated back into their families, who work hard to smooth the transitions, who provide the phone cards, who help with the travel arrangements, who assist with the distribution of the many gifts that have poured in from a grateful America, from frequent flier miles to luggage. And if you have seen it at Walter Reed, you can also see the same thing at

Eisenhower or Brooke Army Medical Center, for example, where we have our Institute For Surgical Research that is continuing the tradition of great burn care and accommodation of the serious injuries that often are going with it.

And this is just the tip of the iceberg. Really, it is not the tip of the iceberg, it is more correctly, I guess, the base of the iceberg. Those medical centers and our community hospitals are the platforms that allow us to launch the real tip of the iceberg, and that is the medical system that we insert into combat zones whenever and wherever we put soldiers in harm's way.

It is an integrated system that is much more joint and interdependent than it has ever been and it is on an access of advance to be more so. Its depth allows to quickly deploy teams that can address issues, such as leishmaniasis or a clustering of soldiers with pneumonia, and put world class experts into the field linked with world class researchers in our labs who have the expertise and the credentials to work military unique issues with institutions like the Federal Drug Administration (FDA) and the Center for Disease Control (CDC). It is having resources like the Center for Health Promotion and Preventive Medicine that has teams in and out of theater all the time sampling the environment, archiving the results, characterizing the battlefield in ways that we have never done before.

It reaches into our Reserve components, who really are twice the citizen. More than 25 percent of my medical force overseas have been reservists, tremendous service from forward surgical teams in Iraq to augmenting Landstuhl, our hospital in Germany, to supporting our mobilization and demobilization with medical support units that are power projection platforms.

While we are always looking for ways to be better, we began upgrading our combat medic training several years ago, increasing the time for training and increasing the hands-on through the use of simulation. We have embraced technology to get out of paper processes. We are processing, for example, electronically the post-deployment screening in Kuwait and Iraq to digitally feed the important information into our central data banks right overnight. We have used venture capital dollars when we had them to invest in the great ideas and initiatives of our people in the field. Such things as investing in liquid-base cytology for Pap smears that reduce repeat visits, allows chlamydia to be screened and to be done concurrently and reducing cytology centers; like hiring four midwives, nine nursing personnel, two clerical staff at a place like Fort Hood, 50,000 soldiers, lots of babies born, lots of family members, saving in excess of \$3 million of health care costs, above our costs now, that would have been expended over a 26-month period.

The innovative direct hire authority that we have had for a couple of years now has allowed us to reduce time to hire from well over 100 days down to the 20-day range, a hiring practice that has really allowed us to attract quickly and get good people on board, the kind of hiring practices we need to be able to have your assistance in continuing.

We are really good, but we can be better. And we really need to move forward with the fielding of our Composite HealthCare System II (CHCS II), that computerized patient record, a joint system

that will be promulgated against all three of our services over the next 30 months. It offers structured notes, a longitude acquirable patient record that will give us the population health kind of information that we need to be better. It takes investment to keep that kind of a program going.

The measurement of individual medical readiness that we are promulgating as a military health standard is a real step forward and will give commanders and the medics the tools to ensure both our active and our reserves have the right medical status for deployment or a plan to fix it on a real-time basis accountability.

Dental readiness of the reserves has been a big issue for us. We have piloted a program recently that we want to expand across all of our advanced individual training sites, bringing all soldiers, active and reserve, up to deployable status before the return to their first unit, either active or reserve. We believe this is not only good for deployability, but it starts to set the right culture about the importance of dental wellness. And maybe even when they have insurance back home, they will actually use it. And the warfighter trainer has not only recognized the importance but carved time out for us to do it at this critical junction in their career.

We get better because we look at ourselves critically. We want to know our faults, and so we look and we listen and we find them and we fix them.

What is so terribly more important than these corporate solutions, however, are those great soldiers, those armies of one out there that make up this great Army of ours. It is those men and women in those trenches that really breathe life into anything that those sitting here at this table would want to do. It is their values and their competence and their enthusiasm for what they do that humbles me every day.

I am going to read you a note from one of our clinic commanders about the reception of an airborne brigade that is coming back from Iraq. And Dr. Snyder, I think it gets at some of the things that you said we should be doing. And this is his words:

I have attached the model we use for our reintegration process. We have made several adjustments, to include adding the clinical practice guideline to one station and going all electronic by preloading the 2796, the post-deployment form, the night before. Almost all of the ideas for improvement are coming from my soldiers who see something that could be done better. I have a great group, sir. Jim Montgomery produced the model; K.P. McCrory is the mastermind behind the setup; Sergeant Stanton is the data quality person. She has a team that loads 100 percent of the data every night. Tamara Baccanelli, a civilian, codes every post-deployment encounter by 1400 hours daily. The soldiers are prescreening med pros and filling out the checklist to ensure that every soldier receives the immunization they need. The stress management team sees every returning warrior also. They produce a list of soldiers daily that they have concerns about, and we see them the same day.

Major General Turner is very pleased with this asset, the warfighter who is engaged in the medical care of his soldiers.

During the reintegration, ortho and physical therapy are available for the soldiers, and they like that.



We are doing all of this and maintaining a walk-in clinic for the community. To date, I can think of only one patient that we sent downtown because of the reintegration process. The community has been great. They know what is going on, and they are waiting a little longer to be seen and doing it gladly. The Red Cross has dressed up my lobby so it looks like a World War II Welcome Home canteen. The soldiers love it and sit and talk and eat for hours. Personally, I have never enjoyed myself more.

It is the grass roots leaders like this, leaders so proud of their own folks that make the difference. It is frontline soldiers like Specialist Billie Grimes, a 26-year-old female reservist with a Bachelor's degree, a reserve medic who joined the active duty to serve in Iraq and who is the middle person in the trio of soldiers on the cover of Time magazine.

You do have a great Army. I thank you and this committee for your constant support of these men and women and the thousands more like them across this military, and I look forward to answering your questions.

[The prepared statement of General Peake can be found in the Appendix on page 690.]

Mr. MCHUGH. Thank you very much, General. We have a great Army and a great military, and we are very proud and very grateful for that.

I have a very, very intelligent, bright Ph.D. seated to my left; next to her is an M.D., so we are pretty well accommodated up here. But just for the heck of it, why don't you tell the rest of us what leishmaniasis is?

General PEAKE. It is a disease, a parasite disease that is spread by sandfly. The form that we are seeing is one that is a cutaneous form that creates a sore that is scarring. Right now we have two centers that we bring these soldiers back to if it is significant and severe and treat them with an FDA Investigation New Drug (IND) protocol. That is at Brooke Army Medical Center and here at Walter Reed. And we are looking at other treatments to be able to spread that out so we can treat them at home station.

Mr. MCHUGH. Cutaneous as in skin?

General PEAKE. Yes, sir.

Mr. MCHUGH. Some of us didn't go to medical school.

Admiral Cowan, welcome, sir. We look forward to your comments.

#### **STATEMENT OF VICE ADM. MICHAEL L. COWAN, MEDICAL CORPS, SURGEON GENERAL OF THE NAVY**

Admiral COWAN. Thank you, Chairman McHugh, Dr. Snyder, distinguished members. Having had only 32 years vice 38 years, my remarks won't be as eloquent as General Peake, but the similarities between our services and our experiences are far greater than our differences.

I am very grateful for your invitation to appear here today, and I welcome the opportunity to talk about naval medicine and address issues and discuss issues of interest to this committee.

For those of us in naval medicine, it has been a year of maturing programs that we undertook in the wake of September 11th and the bioterrorism attacks that followed. The Global War on Terror-



ism has been going on for the last 2-1/2 years and has required a great deal of innovation and adaptation on our part, and I am pleased to be able to tell you a little of how we have achieved successes in that mission.

Naval medicine has also been beside our Marines and sailors since the beginning of this war, providing force self-protection to our forces, and achieving the lowest recorded disease and combat casualty rates in the theater of operations.

The lessons that have been learned from previous conflicts and wars have taught us that agility is what saves lives. And as a result, we are now researching, developing, and fielding innovative, compact, lightweight mobile units that are easily airlifted, moved on site within days, and moved around within hours to follow the flow of the battlefield.

Another challenge has been to defend against bio attacks not only against deployed forces but against our Nation. We have moved toward developing better and more rapid analyses, diagnoses, and confirmation of dangerous diseases and pathogens, whether these diseases are indigenous to where we deploy, or used as weapons by terrorists either against the United States or deployed forces. This is a big important step in protecting both service members and America as we fight a war that is often going to be fought in our own backyard.

Within our treatment facilities, naval medicine has opened an Office of Homeland Security that has made measurable progress in hardening our Medical Treatment Facilities (MTFs), training our staffs in emergency response, coordinating with local communities, and hardening these communities both for prevention, mitigation, and response to attacks against the community.

And these are just a few examples of specific things that we have done to accomplish our mission. And our mission is for self-protection, which has in our mind four elements: To first prepare a healthy and fit force that can go anywhere; second, to go with them and protect them from all the hazards of the battlefield; third, to restore health and to care for them and their families; and, fourth, to help a grateful Nation thank our retirees with TRICARE for Life.

And while we have had many successes in the last year, and I am very proud of them, we do also face challenges. Rapidly escalating medical costs that are caused by new and expanding benefits, the growing use of TRICARE by retirees, the fencing of sector funds that can inhibit the use of those funds, and our continued struggles to fully man critical communities within naval medicine all remain concerns and all have potential to impede our mission.

The challenge is to meet those health care needs of our beneficiaries within the realities of our budget, and as health care inflation continues to accelerate faster than other sectors of the economy and as utilization continues to increase, as technological advances result in more effective but also more costly new treatments, they also result in longer life spans.

As the word of TRICARE's quality and effectiveness spreads and as the cost of other insurance programs rise, more and more retirees under 65 are dropping other health insurance plans and relying

on TRICARE. As Dr. Winkenwerder said, this year we estimate a seven percent increase in the returning population.

We have been successful in accomplishing our mission over the years in step with our sister services, and thanks in large part to you and your fellow members, the military benefit has become one of the most respected health care programs in the world. We know from Navy's quality of life surveys that among enlisted personnel and female officers, the highest regarded quality of life reason for staying in the military is the health care benefit. You have allowed us to provide our service members, our retirees, and our families health care that is worthy of their sacrifices and clearly articulates the thanks of a grateful Nation for their selfless service. With your continued support, we have opportunities for continued success both in the business of health care and in our mission of supporting the deployed forces and protecting our citizens throughout the United States.

I thank this committee for its support, and I thank the committee personally for their support to me during my time as Navy Surgeon General. It has been a privilege to serve.

[The prepared statement of Admiral Cowan can be found in the Appendix on page 704.]

Mr. MCHUGH. Well, it has been our honor to have the opportunity to work with you and General Peake, and both of your terms of service have been quite remarkable and we appreciate that.

General Taylor.

#### **STATEMENT OF LT. GEN. (DR.) GEORGE PEACH TAYLOR, JR., SURGEON GENERAL OF THE AIR FORCE**

General TAYLOR. Mr. Chairman, Dr. Snyder, and the committee, it is a pleasure and a privilege to be here today. Much has happened since we met here a year ago when we had just embarked on Operation Iraqi Freedom. A year later, we have found that most of our concepts were validated. Some require more work, but most importantly the men and women of the Air Force Medical Service have again served their country with phenomenal talent, capability, and dedication. The lessons we have learned in Afghanistan, Iraq, or wherever we have deployed and even at home have helped us hone our four central capabilities: One, ensuring a fit and healthy force; two, preventing illnesses and injuries; three, providing care to casualties; and, four, sustaining and enhancing human performance.

We are doing many things to ensure our force is fit and healthy before they deploy. Our preventive health assessment and individual medical readiness program ensures all health requirements and screenings have been met before deployment. This is the program that has been adopted DOD-wide and is clearly responsible in great part for the four percent non-disease battle injury rate across the DOD you have been hearing about, the lowest in history. I would add there are post-deployment health assessments, equally important, are going extremely well. Of our active and reserve component personnel who have returned from deployments, 99 percent have completed these assessments with the medic and the other one percent we are on the hunt for.

Our people are coming back in better health because of individual disease prevention efforts, but also because of the incredible deployment health surveillance program we fielded. From our preventive aerospace medical teams to our biological augmentation teams, we are helping to protect the area of responsibility from biological and environmental threats. We are using amazing technology, such as our Real-Time Automated Personnel Identification System (RAPIDS), which can determine the identity of pathogens in only a few hours. In the future we hope to reduce the time even further through renewed, more advanced, indeed breakthrough genome-based technologies.

We have shared with you before the success of our lean light, and mobile expeditionary medical system, known as Expeditionary Medical Support (EMEDS). But before we left for Iraq a year ago, we realized our EMEDS didn't have the protection we needed from chemical weapons. Within 30 days, brilliant Air Force medics in the field developed a mature NBC treatment module that could care for 100 radiological, biological, or chemical casualties. This is the level of ingenuity we have in our Armed Services, in all the services.

Your staff has had the opportunity to view other technical marvels that are saving lives in the battlefield, like laptop size ultrasound machine, a ventilator unit that is the size of a football, and a complete surgical package that fits a backpack.

Air medical evacuation continues to be the linchpin of our deployed medical operations. In addition to the critical care air transport teams you have heard about, we continue to field patient support pallets that allow us to use all available airlift and have added an aeromedical evacuation center to our air operations center to allow smooth integration with all DOD and even allied air operations in theater.

From our perspective, the story of Private Jessica Lynch's rescue is an excellent example of the near seamless integration of the Air Force and our sister services. Following her rescue from the Iraqi hospital, Army medics and Air Force aeromedical evacuation troops and Special Operations members transported her thousands of miles using three different aircraft, and provided care in the air during her entire journey until she safely reached the Army hospital in Landstuhl, Germany, all accomplished in less than 15 hours. And this same scenario has saved the lives of many, many others, less famous but equally courageous young heroes.

Combat medicine is an ever evolving art, and we cannot afford to coast for one minute on these successes. We recognize the critical value of developing new, better technology and enhancing human performance. Our human performance initiatives cross the spectrum from battling combat fatigue to enhancing vision through corneal refractive surgery to creating systems that will protect our pilots and our sensors from laser damage.

While all these exciting high-tech programs are taking place, we are also quietly caring for our members and families back home. We anticipate the promising next care generation TRICARE contracts to be a smarter way of doing business. As revised financing methodology is fielded throughout all the U.S. Base military treatment facilities, we are working hard with Health Affairs and the



Congress to ensure that our incentives and accountability are properly aligned for this increased and more flexible local responsibility for patient care funds.

While we prepare for the next generation TRICARE and for the enhancement of the relationship of the civilian medical community and Department of Veterans Affairs, we are always aware of the direct connection between this peacetime health care and the readiness of our troops.

The Air Force Medical Service has answered the call and will continue to do so. We will work hard to resolve the tough issues, from the financial hurdles you have heard about to the challenges and recruiting and retention. And wherever we go to perform our mission, you can see the results of your support for our troops. I thank you for this.

Finally, as the last witness in this group, I would like to take a moment to focus on my two comrades in arms. Jim Peake and Mike Cowan are two of the finest Americans I have had the pleasure to meet and work with. Each has sacrificed fortune and family to serve their Nation. There are no finer examples of the American medic than these two, spanning the profession of arms and the profession of the healing arts. They have dedicated the heart of their adult lives to the men and women of our Armed Forces. I will miss our weekly roundtables, our common views of medicine and in the Department. Your Air Force wishes you well, Godspeed, and fair tailwinds.

Thank you, Mr. Chairman.

[The prepared statement of General Taylor can be found in the Appendix on page 712.]

Mr. MCHUGH. Thank you very much, General. This subcommittee, indeed this full committee, works very well together across party lines. But it is still a rare occasion when I feel I can speak for all members, but I feel I can now; and we all agree with your assessment of your two colleagues, and I am sure they appreciate, as we all do, your very gracious comments.

I mentioned in my opening remarks about the really extraordinary challenge that the medical health care, military medical health care system is facing. Mr. Secretary, you have mentioned a critical part of that is the new generation of TRICARE contracts got a change from 11 regions to 3, as you noted, 7 contracts to 3, and other structural changes below that. By every measure, a hard, hard job.

You also talked about, in your comments, the importance, and I fully agree, of regional directors in that process to work seamlessly together. We only have one of those three regional directors appointed, and I am curious when we might expect some progress on those other two so that the importance I think you very accurately noted can be fulfilled.

Dr. WINKENWERDER. Mr. Chairman, you are exactly right that those are important positions, and we have been working with the services to fill those positions. I just announced a couple of days ago that outside of this week that Major General Nancy Adams, Retired Army, will be assuming the role on an acting basis for the North region. So that would put us at two out of three. And then



we are working to fill the third position and hope to have that filled in the very near future.

Mr. MCHUGH. I appreciate the response, and the gentlelady you mentioned has been routinely resoundingly praised in the discussions I have had about her with those folks who have worked with her and who are looking forward to working with her again. So this next comment is in no way meant to demean her ability. But acting is not full time. There is a cache difference, if you will. I think it is important, if I might, that we make sure we take every step, as we have in the western region, to have full-time directors. I think that is critical.

Dr. WINKENWERDER. Yes, sir, and we will I believe with that position. It is a matter of personnel, trying to secure the personnel slot, the appropriate slot, and sort of working its way through the system. I expect that to happen very soon.

Mr. MCHUGH. Thank you very much.

There are so many different dimensions to this health care challenge it is difficult to narrow them down in any reasonable amount of time, and we have my colleagues here and I don't want to take up a lot of time; I want to defer to them. But one of the areas of which I have been particularly concerned, and we saw some reflections of it in the medical hold issue and in another means, is that of providing for the reserve component. In the 2004 authorization bill, Congress limited total expenditures to provide for reserve health care at \$400 million. We would like to think that everything we do is based on cold calculation and hard evidence, but I am not sure that is exactly the case. But I am wondering what your gentlemen's perception is as to the adequacy of that 400 million. Is that going to be enough? Is it going to be in excess? How are we doing in terms of those dollars and the need that you see out there?

Dr. WINKENWERDER. Maybe I will.

Mr. MCHUGH. You have the overview.

Dr. WINKENWERDER. I will take a shot at that. It does present some challenges, both because of the time limited nature of the temporary provision as well as the dollar limit. But let me tell you where we are, and we are making real and significant progress.

With respect to the 701 provision, which provided physicals and screenings to be done or overseen by the reserve community, I am told by our reserve chiefs that that is already being done today. It is being implemented. So that is in play.

With respect to the 704 provision, which has to do with extending TRICARE eligibility for 180 days versus the 60 or 120 days, I am—we couldn't get it out before the hearing today, but I expect to announce that today or tomorrow.

Mr. MCHUGH. You just did.

Dr. WINKENWERDER. I just announced it.

Mr. MCHUGH. Whether you know it or not, you just did, which is good news.

Dr. WINKENWERDER. Well, to get it out broadly to all our beneficiaries so that they know it is now being implemented for that population of people. As I recall and as I understand, we encourage them to save whatever receipts or records so that they could be reimbursed for that care.

The 703 provision, which has to do with the preactivation benefit for up to 90 days, there is work that has been going on. The principal delay relates to getting the information from the reserve units into the defense eligibility system, Defense Eligibility Enrollment Reporting System (DEERS), so that we can identify the persons and their families in order to create the benefit. And there is active work, there has been very vigorous active work going on. I expect that to be implemented within 30 days. So we will have implemented three of the four main provisions.

Now, the provision that has to do with extending health insurance to the uninsured or those without eligibility for employer-based insurance, that is a much more difficult, complicated program. I would just say for someone who is in the private sector in health insurance typically it takes a year to 18 months to implement a new benefit like that for a population of people. There is a lot of work that needs to be done in terms of setting up the eligibility. And in our case, because of all the transition of the contracts we have just described, part of our challenge is setting up and making contract modifications with all of our contractors of the existing contracts and, because they are all going to turn over in the next six months, to take that all down and then restart it again.

So between that and the dollar limits, it is very complicated. We believe that this is an issue that is important that we need to understand. The impact that offering such a new benefit may or may not have on retention, recruitment, and readiness is something we would like to study and understand better and have a longer period of time. So we are thinking about and would like to work together with you on a concept of a longer demonstration type of study so we can understand this and do it the right way, because we are kind of caught in a box, so to speak, at this point in trying to do something that is effective and large-scale because of the limits that I have just described.

Mr. MCHUGH. I appreciate that, and it is a challenge. We have a tendency on this Hill to pontificate, and our intentions are always noble, but I am not always sure we always think out to the possible extent what our dictates mean in terms of implementation and such. And I wanted to provide a chance to define those challenges, and I appreciate it. And clearly, while we think that the provision of health care to all of our military, active and reserve, is an important matter, the aspects of retention and recruiting, at least in my mind, are a critical component of that. And I think it is more than reasonable, I think it is very desirable that we understand exactly what that is doing either to the betterment or to the detriment of that initiative. So we will certainly look forward to talking to you on that.

I don't know if any of our Surgeons General have any comments on that, any portion of that? Admiral.

Admiral COWAN. I might just echo Dr. Winkenwerder's observation. In looking at recent history, when we had the Nation Defense Authorization Act (NDAA) of 2001, of all of the benefit changes, the pattern of behavior that our patients took was to pretty much look at it for a while to make sure we meant it. We did not see the initial migration to the benefit that we thought, and then two or three years later then saw the growth. So I think anything that we do,

the early estimates based on the initial behaviors of the population groups are probably not long-term, and I think the time lag needs to be taken into consideration.

Mr. MCHUGH. Thank you.

Gentlemen.

General PEAKE. I reference 701 in the prescreening. I know that General Helmly is trying to work \$10 million right now to get into that pot to be able to do that predeployment screening. It also talks about care. We are really not doing the care. Part of the issue is when they are alerted and how long you actually have to be able to do those kinds of interventions. As I talked about the individual medical readiness, getting that kind of data reliably over a long haul and then making sure that the readiness is taken care of on a more routine basis is really where we, I think, will ultimately serve our readiness needs in the future. It is hard to say what that cap of money is going to do.

The other thing is these all expire in a year, and we are already halfway through the year. So those are other issues I think will probably need to be addressed somewhere along the way.

Mr. MCHUGH. Welcome to the wonderful world of budget scoring.

General TAYLOR. The same from the Air Force perspective, we would echo that a change of benefit of this magnitude needs to be very clearly thought through, and a demonstration project certainly is an interesting idea of a way to gather the data and see what the impact is on recruitment, retention, and readiness of the services. It is not like the services are not operating along congressional intent as well. Both the guard and the reserves for the Air Force have activated health care advisers in all our organizations to make sure that these people that are new to TRICARE understand what the benefit is like and have a good transition into the program and out of the program on deactivation. And all of us have been working very hard to make sure that each individual guardsman and reservist knows what the program is about. As critical as what it is is knowing what the services are and what the extent of the services are, and each of us have worked really hard with our line counterparts to make sure that we have people in place to answer those questions and to reach out to those activated guardsmen and reservists.

Mr. MCHUGH. Thank you. Thank you all.

Before I yield to Dr. Snyder, with respect—and I am not going to ask a question, but just a comment here. But General Peake mentioned about individual readiness status and the reserve component. Translating that into unit medical readiness has been a real challenge, and I am not sure, and we need to explore that and we are going to have the reserve folks in here in a couple of weeks and we will talk to them about it. I am not sure we are incentivizing unit commanders enough to make sure that what they are saying about the medical readiness is actually the case. And if you have thoughts on that—not now, but thoughts on that in the future, I personally would welcome them very much so. Thank you again for being here. And I am happy to yield to Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman. Just a comment. This issue of the medical readiness of our reserve and guard forces of



course, this is an example to me where the military is being asked to make up for the problems that we are having in society at large, which is we both—all of us talk about it from our different perspectives of the problems of the uninsured. And if everyone had insurance that they liked and could afford and wasn't causing them to go broke, we would probably have less of this kind of discussion. But that is another aspect of it, too, that we have to work on.

But what I want to do, I think all of you are aware of Dr. Buck's report that came out a few years ago. And I don't know if you have seen his written statement or not, but on page 3 of his written statement he lists 10 questions. I am going to read those 10 questions, and I am entering them in the record and I would like you all to respond to them for the record. Perhaps, if you have any questions today, you can, but they are detailed questions, but I am going to read them. And these are his questions that I would like you all to respond to for the record, please, in a timely fashion.

Number one, has a level playing field been achieved in providing comparable oversight and accountability for the purchase care as well as the direct care components of TRICARE?

Number two, have data systems been implemented that can be audited for accuracy and that can measure and monitor quality outcomes, resource utilization, and health care costs?

Number three, have demonstration projects been designed and implemented that will provide policy guidance to enable consolidation and safer performance of high-risk procedures such as organ transplantation, joint replacement, cardiac surgery?

Number four, has a streamlined tri-service risk management process been implemented that achieves review of specified adverse outcomes and all closed malpractice cases, manages pertinent summary data, produces analyses of experience, and assures uniform identification reporting of practitioners not meeting the standards of care to the MPDB?

Number five, does the Centralized Credentials Quality Assurance System (CCQAS) periodically provide updated reports at the military treatment facility and command levels listing unlicensed physicians on staff and license expiration dates for those licenses?

Number six, can any portion of the annual quality of management report now be prepared with supportive data automatically?

Number seven, are reports being developed or tested for the promulgation of beneficiaries of data based objective system and clinical progress?

Number eight, has a standard resource methodology been achieved through TRICARE that is flexible and responsive to clinical needs and quality of management?

Number nine, is CCQAS now used to manage the credentials of all laboratory professionals?

Number ten, is a longitudinal electronic patient record now available for all active duty patients and other beneficiaries?

And if you all would respond for the record to those questions. [The information referred to can be found in the Appendix beginning on page 847.]

Dr. SNYDER. I wanted to ask a specific question—we have so many written statements here, Mr. Chairman, I am having trouble keeping my statements straight.



Dr. Winkenwerder, in your opening statement you say in your written statement on page nine, under individual medical readiness, you say: Among the performance measures we track is the individual medical readiness status of all service members. For the first time, the Medical Health Service (MHS) has a common tool to track individual medical readiness for health and dental assessments, immunizations, laboratory tests, required medical equipment and limiting medical conditions. This tool allows unit commanders to monitor the readiness of their members and units.

And then, General Peake, in your written statement on page three, you say: We are working on uniformed metrics to inform commanders on the state of medical readiness of their troops.

Now, those to me seem to be statements in conflict. You, Dr. Winkenwerder, are saying the tools are there, that I should be able to ask you—and maybe I will: By noon today could you give me the immunization percentage for the 101st Airborne that has just come back or the 1st Cav (Cavalry) that is just going over or has already gone over? I read your statement to say, boom, push a button, here is the immunization record. General Peake's statement says: No, we are working on it. Now, where is the accuracy? What is right? Where are we at?

Dr. WINKENWERDER. Well, not to give you the politically correct answer, but I think we are both right.

Dr. SNYDER. Oh, no. That is the politically incorrect—

Dr. WINKENWERDER. It is. But let me explain. The tool has been developed, the standard has been agreed upon. There is no disagreement about that. And it is being populated and it is being used. It is not—and I will allow General Peake and Admiral Cowan and General Taylor to talk about the filling in of the data and how it is being increasingly used by commanders. And so I don't want to leave—if I have left the perception from this comment that every unit commander has a report on his or her desk today, no, that is not correct. Some do, and our shared vision is that all will in the near future and all will be using it. And I will turn to my colleagues here to comment on that.

General PEAKE. Sir, as he said, we are using—and I mentioned it in the comment about the young officer in the vignette I read. He talked about MED-PROS. That is what we are using. It is a Web-based system that allows us to enter at the individual level. You can drill down. The issue is disciplining it and populating it. And we have used it for anthrax immunizations. And what we are doing is using that now for the whole category of individual medical readiness data. I can show you the National Guard brigades by—because we have now a choke point where we are capturing it, and present that to the Vice Chief of Staff of the Army so he understands where we stand.

General TAYLOR. A very powerful tool, but it is one that we are promulgating. We are going to make it part of our unit status reporting system in the Army. It is a work in progress, but we are using it on a daily basis, and we are able to now capture information about the 101st, as an example, and have the medical people and the division commander understand where they are and what they need to do to improve our stats.

Dr. SNYDER. So if I am the unit commander, this statement in Dr. Winkenwerder's statement, "This tool allows unit commanders to monitor the readiness of their members and units," how soon will it be before every Army unit commander will have the ability to say, you know, this afternoon I want you to give me an update, whoever they are talking to, on what is our immunization status, which, I think, is Dr. Winkenwerder's vision, in his words? How soon will that vision be a reality for 100 percent of our Army?

General PEAKE. They have a Website, a portal, a computer and the Internet, and they can get a password, and they can do it today. What they will find is, the data is not necessarily entered. So it is the issue of disciplining the system of getting the data entered. What we are trying to do is, as I said, get out of the paper process so that what we want is, one of our very fundamental principles is get the data entered at the closest point to the business process that creates the data, which is the immunization portal, if you will.

Dr. SNYDER. Not to be argumentative, are we talking three months? Are we talking three years? When is the system going to have the data? When will the data be entered? When will everybody recognize this is important, or whatever it is, and the data is going to be there?

So Chairman McHugh, if the staff wants to do it, we could get in the system, in the portal, we could punch in the unit. But we don't want to punch in those numbers if it comes out the data is not entered or this is inaccurate or we get information back that we rely on that says actually, we only had 50 percent of the paper records that we ever entered. When is Dr. Winkenwerder's vision that all the information is going to be there and we have it the way we want it?

General PEAKE. Sir, my view is, until we get commanders to start looking at that data, giving them the tool out there and forcing them to use it, the data will never get entered appropriately, because it won't be disciplined.

I am not trying to be circular about it, but I think what we have right now is a letter and staffing from the Vice Chief of Staff out to the commanders saying, get with it, this is a tool available to you. So we are moving forward in the Army to make this our way of doing business.

Dr. WINKENWERDER. I might ask General Taylor as well.

General Taylor, sir, we have been pursuing this for a few years now, and every month, every wing commander in the Air Force gets a report on the status of his troops in terms of their rates for each of the classes, immunizations, have they had their physical. We are adding the medical equipment, which is a new twist we added this year. Every unit gets that every month, every wing commander and then the details behind it. You can push it in any form you want.

The Air Force is also working on something called the (DRS), the Deployment Readiness System. Air Mobility Command (AMC) fielded the first unit, as an example this spring, and the chief has ordered it fielded worldwide. It grabs all of the data, personnel, medical information, displays it in one form for the unit readiness monitor—this is the staff sergeant in the squadron—to know the

status of his troops, from legal through personnel function, through medical function, and they can push the list and get the list of their people who need immunizations for whatever—for a hepatitis A immunization, they are short, they need this. This is fielded in the Air Force today.

The reason I have been pushing this, not only to the MedGroup commanders, because they have to chase after the people to get them to come in, but I have also been pushing it to the wing commanders and the major command vice commanders to tell them the status. We have a slot that says you are the best in the command and you are the worst in the command.

We have been doing that over the last two or three years, and it increased from about 50 percent. That means about 50 percent of the people would have to have a last-minute something done before they deploy to over 75 percent and nearing 80 percent. So only 20 percent of the people have to have some intervention, whether it is their dental exam needs to be worked on or they need to have an immunization.

Dr. SNYDER. The Chairman is being generous with his time.

So, General Taylor, I am getting the impression that you think the Air Force, your commanders are more responsive in using the system than in the Army?

General TAYLOR. We have had the system in place for longer than the other services. This is an example of where we shared this a year or so ago—it is an important example—and we agreed to field a common system, and the Army and Navy are in the middle of fielding a system like this.

Dr. WINKENWERDER. It is a great example, if I might just say, of joint effort here. The Air Force was a little bit ahead. We took that system, we built it, standardized it, working together, have created a common single standard.

General TAYLOR. Part of the reason, clearly, is the Air Force is on a much tighter timeline—go now, get in the airplane and go now. We don't marshal and come to home ports and sail out. We have a very short time to get our people out, whether it is active duty or guard and reserve. The airplane is landing tomorrow, get on, go. We don't have time to waste, so we have been working hard to shorten the time frame and leverage the information systems and put it in one form and push it down.

Dr. WINKENWERDER. I do get a report every month. Of course, we have data right now. The question is, the degree to which it is representing a fully populated report, or I will get an asterisk that says still coming in or data still being filled out or still collected in written way versus electronic.

The bottom line is, we are on it; we are pursuing it very hard. I think everybody agrees it is a valuable tool. We think the commanders, where they are using it, it is a valuable tool, and I fully expect it to be in play in the months ahead.

Dr. SNYDER. I thank you.

Dr. Winkenwerder, your statement could have probably been a little more complete in terms of what the reality is.

Thank you, Mr. Chairman.

Mr. MCHUGH. If I might have the opportunity just to place an editorial comment, I mentioned earlier about incentivizing reserve



component commanders. The reputation amongst many is that active component commanders are somewhat cavalier at times with respect to these issues, and perhaps, we have to incentivize them as well.

I know in my family, my dad was like the vice chief of staff; my mom was the chief of staff, no question. But, boy, when I got an order from the vice chief, I listened. So we have to do something, I think, to help those commanders realize the importance of this and, therein, assist you gentlemen in your efforts, because I have no doubt you understand the importance of the efficacy of this.

The gentleman from North Carolina, Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman, for holding this hearing, and thank you, gentlemen, for coming. This is such an important issue, not only day-to-day, but in terms of recruitment, retention and family health and overall mental well-being.

If you will indulge me just a minute to kind of develop this question, Chairman McHugh has taken us to a number of installations abroad where we have talked with reservists and guardsmen. I represent Fort Bragg and Pope Air Force Base, the epicenter of the universe. We have the heaviest guard deployment since World War II in North Carolina. I have seen your hospital in Landstuhl and have been to the field hospital in Kuwait, an incredible job you are doing providing day-to-day medical care.

We were in a hearing yesterday about how information has gotten to Transportation Security Administration (TSA) about security. The reason I make the point is the illustration was used that we have ways of driving information, in this case, services, upward. You have all done a fabulous job driving those services upward to your facilities and through your highly-trained professionals. The other end of the spectrum is how you pull those services out if you are a family, if you are a wife, if you are not on post.

Where I am going to is, with all of these huge Guard deployments, we have remotely located wives and husbands and children, 70 percent of whom are not within 50 miles of one of these incredible facilities. So at that point, to give you just a little bit more, three houses on our right is a doctor who provides TRICARE service and his wife, his chief of staff, is the head nurse, and they open at 4 o'clock in the morning so these folks can come from far and wide to access that service.

Down the street to my left is an Army reserve colonel who has been in Afghanistan. He is a urologist. He is part of your great system. I hear about things from him as well. The National Military Family Association works very closely with me. My wife and I have been to Fort Bragg and other locations talking to wives. I talked to deploying groups, families. They kind have gotten used to talking to me about that.

So with all that background—just to make a point, it is not a casual encounter on the street—I want you to be encouraged to think about what and how we can move forward so that the folks who are these 70 percent can extract those health care services.

And I gave you a letter, Dr. Winkenwerder, which I know you will respond to.

If you just would comment a little bit about that. The 800 number is okay, but how can we again provide these services and give



a higher level of comfort and support, which is about retention, to these families who are located?

This a great chart, I know you cannot see it from there, but it shows the new regional structures. And if you see, in North Carolina, it is concentrated from Fort Bragg, east, to Camp Lejeune, Cherry Point, where those military facilities are. The majority of the State where all these guardsmen are coming from is not located near the regional structures. Womack is a great facility.

With that, Mr. Chairman, if you all would comment on how we can do a better job there?

Dr. WINKENWERDER. Thank you very much, Congressman, for those comments. We share that concern, and we believe the issues that you have noted are very important. These individuals and their families deserve the very best. They deserve access to care. We need to reach out, and we are doing that. I am quite sure we need to do even more than we are doing today.

Within the new governance structure with TRICARE, we have specifically, as Congress wrote into the law, beneficiary counselors for reservists, and we are mobilizing those individuals. We have information out on the Website. We have other kinds of communication.

I think communication is really key, so that people understand how to utilize our benefits. I can just say, we are committed to it, we are working on it. We appreciate any ideas or suggestions that you or others might have so that we can incorporate that into our efforts.

Mr. HAYES. A couple live bodies centrally located in North Carolina would be wonderful.

I failed to mention, General Peake, that your facility at Walter Reed, I haven't been there. I have been to Landstuhl. I have been to other facilities. There are incredible things being done for families. Anyone who hasn't seen that, should.

Would anybody else like to comment on what you might, from your perspective, add into this equation of how we can—

General TAYLOR. Sir, a couple points I mentioned earlier, what we did, to give you specifics, in the reserve command, at every non-located base—a large portion of our reserve component is located with an active unit. Where that does not exist, there are 13 of those, and they stood up a wing, TRICARE full-time Point of Contact (POC) to reach out and reach the families.

In the Air National Guard, they activated two members, one officer and one enlisted, for each international guard medical squadron to handle those same transitional benefits and issues. We all worked very diligently with our contractor support to make sure that we have an adequate network around all our folks.

A huge part, I think, of what you are getting to is what is the adequacy of the network? Are the payments done in a timely fashion? And can we convince the providers to stay in the network and see our patients? We all worked diligently on that, and I think we are all very impressed with what is in the contract, the incentives as well as the quality of the contractors we have, that this will be less of an issue and the network will even be deeper and more able than it is today.

Mr. HAYES. I apologize for failing to mention Seymour Johnson. That was not done on purpose.

You have touched on a point there, getting more providers of services. That would be very helpful. Dr. Winkenwerder lives in Asheville, or is originally from Asheville, which, again, is a long way from Seymour or Womack. I would like to have him back some day.

General PEAKE. Sir, let me tell you one other thing. There is a big VA hospital in Asheville, and the VA is a part of this team in many ways. So it is not just the military facilities, but these soldiers will have availability of VA services for two years after, according to Secretary Principi. So that is another avenue.

Your issue of provider networks and people taking TRICARE is one that we continue to wrestle with at every single location, because this is one we have to keep our eye on. Maybe the last panel is going to address that more than us.

Dr. WINKENWERDER. If I might, let me build on General Peake's points. We have been working with the VA. This gets into the issue of what we like to call the seamless transition, as seamless as we can make it, with the VA.

I have had discussions with Undersecretary Roswell, and he tells me the Veterans Administration is deploying individuals, hiring a whole new group of people—I don't know how many it, it is many dozens—I believe, to staff VA sites all over the country, and then we communicate with them. This is post-deployment, all of those who have just served and are deactivated.

And we also plan to look at any additional resources we might add to actually appear at some of those reserve and guard units in the locales, away from the main military bases, to counsel and advise people.

I have appointed a task force about a month ago to work on this whole issue, and I am expecting some recommendations from them sometime here in about the next month. So we are working on it.

Mr. HAYES. Thank you, gentleman.

Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentleman.

The Vice Chairman of the Subcommittee Mr. Cole, the gentleman from Oklahoma.

Mr. COLE. Thank you very much, Mr. Chairman.

Let me start out with a couple of points, because I find as I reflect on it, I have had more experience with the military health care facility than I might have first thought.

I was born in an Air Force Hospital. My dad was career military. He got all of his care in the military and then through the VA for all of his life. My mom uses TRICARE now.

My brother is a disabled vet and got terrific service, both in the service and through the VA system, and I have a cousin who is in the Air Force Medical Service and who has been deployed to Afghanistan and to Iraq during the recent situations and really set up medical facilities in both of those places.

I tell you, frankly, while there are always things to complain about, I think you guys do an unbelievable job, and the progression and improvements in the quality of care that I have seen over the

course of a lifetime are really, really dramatic. I can't think of a private-sector equivalent.

And I would like to ask if any of you know of any that takes and spends as much time thinking about how to take care for its people and their broader family throughout their life, throughout their service and frankly beyond in many cases?

There is nobody else that does it. First of all, thank you for what you do. We ask the people you serve to do extraordinary, dangerous and difficult things, and you make it possible for them to do that and have some high level of confidence that they are going to be looked after and their families are going to be taken care of. You do a very good job.

Let me ask you this, if I may, because I need some very general information. Could you give me, over the course of let's say the last decade or so, the experience of what military health care costs are per person versus a comparable or a private corporation providing good health services for its people or good insurance programs for its people? Give me some idea of the difference in the cost.

Dr. WINKENWERDER. Congressman, I appreciate that question. That is a very—it sounds like a simple and—it is—straightforward question. Getting a precise and accurate answer is not so easy.

We are seeking to try to get an answer or get answers to questions like that. Without going into too much detail, what makes that difficult to understand is that embedded in the cost structure of our entire system are many costs that are associated with medical readiness, the capability to do all the things we do, to deploy worldwide on a moment's notice, to have airplanes and medics and all kinds of capabilities, and all that costs something, quite a lot, actually, but appropriately so, to do.

Right now, that is all embedded in our cost structure. So to pull out, what does it cost just to do—the cost of care for every day medical care, to compare that with the private sector, is difficult. We are trying to do that, and we think we are roughly comparable.

We know that, in some areas, the analysis we have done is in some sites and locations, particularly at our medium-sized to larger military hospitals and treatment facilities, that our costs are very comparable from what we understand, trying to sort out and untwine the ball of yarn, as I have described.

At some of our smaller and outlying places where we have a lot of fixed infrastructure, just to operate, our cost structure is higher. So I think this is an issue that we are looking at, because in the final analysis we want to have this incredible capability to deploy and support medical readiness, and at the same time, we want to operate as cost-effective as we can as an everyday health care system.

Obviously, we do that by providing the care within our military facilities but also increasingly to purchase that care. So, it is a balance. But we would be glad to try to pull together, if you would like, more data to try to do that type of analysis.

Mr. COLE. If you could do that without any undue difficulty, it is an interesting question.

Another related question that might be easier to address, simply, I would be very interested in the rate of increase or, number one, the proportion of the DOD budget that goes, in a sense, for medical



care for service people and their families and your broader obligations and how that has changed over the course of time. Has it been constant? Is it a larger percentage of the DOD budget than it was a decade ago?

Dr. WINKENWERDER. Yes, on that, we do have better figures. As I recall, it was in the four to five percent range—these are not exact figures—in the early 1990's. As the total force drew down in constant dollars, the DOD top line stayed level. We were also coming down during the 1990's.

Now, what has happened at the end of the 1990's and going forward, we have had an increase, obviously, in overall top line DOD budgets over the last couple of years, but we have also had, as we talked about, significant increases, even on a percentage basis greater, within the defense health program.

As we look out, unless the defense top line continues to grow at a very rapid and high rate—I will not speculate on that, but I would say, it would be surprising if it could. On the other hand, health continues to go up, so our projections are that that percentage is likely—health as a percentage of all DOD is likely to continue to rise, and I think it is in the six to seven percent, eight percent, range, somewhere in there.

But if the top line stays roughly equal or goes up two or three percent, obviously health care is going up much faster than that. So it is going to consume a larger part of the overall DOD budget.

Mr. COLE. One last question, if I may, Mr. Chairman. You are very kind in terms of time.

If you would, too, give me just some overview. One of the points my cousin who is in the Air Force makes to me—he is now in his 15th year—is how much more contracting out is done now, of which he is a big proponent. It has really enormously increased the range of options he has when he is dealing with a set of problems, and he is providing much better care for the people in uniform.

I would like to know, number one, how much contracting out we do now as a percentage of our total care that we provide, and any thoughts you have on the challenges and the costs associated with that and the efficiencies that come with that.

Dr. WINKENWERDER. It is roughly 50 percent, maybe a little bit greater, of our total purchase of care, is in the private sector, in the community, through contracted care, through our major contractors and with the new pharmacy contract, through the retail pharmacy, for example.

We expect that to continue to grow. Obviously, our retiree population is a greater user of that contracted and communities care, but personally, I accept we need to direct care, obviously, to maintain readiness and to have the platform to train people and to do all of the great things we do.

Other than meeting that requirement, I think we are indifferent to where care can be delivered. It needs to be cost-effective, the most cost-effective site and the site and the manner in which we can provide the greatest customer service. But an important first priority is ensuring our medical readiness requirement, what do we need to deploy, how many people do we need, their training and so forth.



Mr. COLE. Well, just again, in closing, thank you for what you do. We will always push and always have questions and you will always want to get better, but the reality, at least based on my experience, it is quite remarkable service and it looks after its people very well, and with an unusual sense of dedication and compassion, even beyond what you see normally, because it is associated with such an important mission.

Again, gentleman, thank you very much. Thank you for being here.

Thank you, Mr. Chairman.

Mr. MCHUGH. I am happy to yield to the gentleman from Tennessee, Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman.

A listener to the hearing so far would probably think, well, everything is fine with military health care or about to be fine in the near future. I think it is important that we remember that health care is about people. These are literally life and death issues. I would like to focus my remarks not on combat related care, which, from all I can tell, is superb, but regular health care, because you gentlemen run one of the largest, if not the largest, health care systems in the world.

Real people. The most patriotic person I know is a fourth or fifth generation soldier currently in active duty. He is a colonel. His wife attempted to deliver a baby at a military base. The pregnancy was not diagnosed as high risk. The attending physicians was incompetent. At the time, the baby died a slow and agonizing death during the delivery. The wife is unable to bear any more children.

These are folks who had complete trust in our Nation and in our military health care system. Now that trust is permanently breached, not only by the incompetent care they received but also by the subsequent response of our Nation's military. You can say, well, that is one tragic instance.

A physician came up to me—called up to active duty, he is a pediatric heart surgeon. He told me that Landstuhl does—what—five stints a week now because of the older nature of Guardsmen and Reservists. He was ordered by his commanding officer to operate on an adult heart, which he had not seen in 10 or 20 years apparently.

You start hearing stories like these when you are a member of this committee, you start getting worried. When I hear testimony like I have heard today, with no reference to the fact that a congressionally authorized DOD study on health care quality that was completed in 2001, apparently, has escaped the notice of the Pentagon until we basically insisted that it be included in this hearing, three years later, you start saying, well, the DOD study on health care quality, who paid attention to this? Why does it take congressional intervention to have it looked at?

Other instances: General Accountability Office (GAO) reports. I don't represent Fort Campbell, but my district is very close. The GAO concluded last year that folks who participated in Afghanistan's Operation Enduring Freedom (OEF), 46 percent of our troops, do not have complete immunization records, almost half; 68 percent are lacking one or more of their health assessment records.

I don't hear any of this from your all's testimony. I don't want to just look at the glass of water as half empty; it is also half full, too. But we need to work on the half-empty part because, to me, the standard to which you all should be mentioning is perhaps a higher one, even than the private sector.

I don't want to burden you too much, especially during a time of war, but you have an ability to control your subordinates that is not available in the private sector. And when I hear talk like, we have to incentivize our commanders to do this or that, I thought there was a line of command. If our chiefs make this a priority, then what is more important than the health of our troops? Can't we do more than incentivize them to obey orders, to fill out those beautiful Internet health records that are currently unfilled-out, so that I don't have to look at a Fort Campbell soldier and say "Well, there is a 50-50 chance whether we will even know whether you got your shots"? Can't we do better than that?

I realize our private-sector system has a number of problems, and the Institute of Medicine, as I am sure you gentlemen saw, indicates there are between 50,000 and 100,000 unnecessary deaths in America every year due to the inadequacies of our health care delivery system. But you all have an opportunity to do so much better than that.

Pentagon schools are apparently better because there is greater control that can be exercised, more parental involvement. Kids are more likely to do their homework and things like that. I find that element of quality missing from what I have seen so far in military health care.

I don't think quality studies should languish for three years without being looked at. I don't think beautiful Internet forms should go unfilled-out for years, and I don't think we should have to tell our troops, active duty troops, from the 101st, there is probably an even chance we are not going to be able to monitor their health care at all because we don't even have their records. They are going to be highly skeptical of testimony such as we heard today.

I don't want to be too hard on all of you, but this is a hearing, not a pep rally. We shouldn't be guilty of any whitewash or cover-up here. We need to see the problem for what it is. Accurate diagnosis, I thought, was key to medicine. And then let's have appropriate treatment and follow-up. But right now, I am not seeing a very accurate diagnosis.

Mr. MCHUGH. Will the gentleman yield to me for an initial response, because I think it is important?

Mr. COOPER. I would rather hear from the witnesses, Mr. Chairman.

Mr. MCHUGH. Are you going to deny me that? It is up to you. I asked the gentleman to yield.

Mr. COOPER. I yield to the gentleman.

Mr. MCHUGH. I thank him for his courtesy. Just as a matter of information—and it is in no way meant to demean or belittle what he said or make it less important than it is—but in fairness to the witnesses, on one point, not all your points, but on one point, I would suggest why there was no concentration on the reports you cite is because Dr. Winkenwerder, General Peake and others were

here when we had a specific hearing on those reports on the 25th (February 25, 2004). The gentleman wasn't able to be here; I don't know why that was.

So we have probed those. I don't think they whitewashed those. I just think it would be a reasonable assumption on their part that the subcommittee already covered those in a specific hearing.

I thank the gentleman for yielding. I yield back to him.

Mr. COOPER. In all deference to the Chairman, I think the hearing you are referring to was some three years after the completion of the report.

Mr. MCHUGH. Well, it was sooner than today.

Mr. COOPER. Well, I think American troops and their families want to know that we are being appropriately concerned about their health care needs. Any health care system is going to have problems, but maybe I have just been unlucky in the few I have run across in the time I have been on this committee.

So I welcome a response from any of the panelists.

Dr. WINKENWERDER. Let me begin, and then I am sure each surgeon would like to comment as well.

We don't rely on reports, important or accurate or as good as they may be, to take actions. From the very moment, certainly, that I stepped into my position, making quality and customer satisfaction, which includes a lot of aspects of access to care and ease of getting in, getting treated and the like, has been a top priority, if not the top priority, and we regularly measure ourselves against civilian benchmarks.

We will have terrible outcomes in individual cases, like the ones that you described. Do we seek to prevent those? Absolutely. Do we do everything that we can to ensure that there are no medical errors or that patient safety is not lacking? Absolutely.

But at the end of the day, I believe what is the best and the fairest way to look at quality, is to take a look at what you can measure, whether it is clinical satisfaction, joint commission, accreditation scores, HETUS scores, which is a generally accepted population health measure, the new ORIX measures for in-patient care, and how do we do versus the benchmark in the private sector in the civilian population.

What I can tell you is, we do very well. There are some areas that we are much better in than the private sector. There are other areas where we are about the same. There are some areas where we are not as good. We are focusing today on those areas where we are not as good.

I agree with you that we have the opportunity to be the very best, and I have shared that—I think we all share that—vision. Part of the reason that we do is not just its command structure, because, with all due respect to the notion that you can command people and because you command them they will do it, is not always true. I think what incentivizes people is being part of a team that has a mission that they recognize and care about, that people feel rewarded and respected, and they get feedback, good feedback, about the value that they bring to the organization. That is what really incentivizes people to do great things. I think we have that ingredient within the military health system.



What we also have in addition to that is that an advantage for us that I don't think we quite yet realize is this whole area of information technology—the electronic health records that are being rolled out, the ability to capture information out in the field with handhelds—because of the investments we have made.

So I am very optimistic, very bullish, on the direction. Are we there? No, we are not. We cannot claim that we are absolutely at the pinnacle. But I think we can say that our commitment to be there is deep and that we do in fact want to be the very best. We are working hard on it. We have a lot to say that we are doing very well with.

With that, I will turn to my colleagues.

Mr. COOPER. Could I ask that we see the HETUS and the ORIX information for each military hospital?

Dr. WINKENWERDER. We are glad to share that. We have that information. We look at it as a team.

[The information referred to can be found in the Appendix beginning on page 866.]

Mr. COOPER. I have been unable to receive that so far, at least my staff has been unable to see it.

Dr. WINKENWERDER. There is nothing to hide here. This is public information, as far as I am concerned.

Mr. COOPER. When I mentioned chain of command, I in no way meant we didn't have a vision to inspire the troops.

But surely health care professionals are already aware of the need to have the best possible outcomes. When it comes to paperwork like filling out forms, no one likes to do it, but perhaps there is a greater ability to control subordinates along that line.

General PEAKE. Congressman, I know the case you are referring to, at least one of them, and met with the family myself to go over the things that we found and corrected in that instance. It is tragic, as these are individuals and human beings. And he is a great soldier, and it is a great family, and I understand that. We take every one of those very personally, and it is not cavalier in any way, shape or form. I know you know that.

The issues of—you talk about trying to make a better quality assurance system. We have gone with CCQUAS, made it a Web-based system so that we can reach out and be more real-time with our data about providers and credentials and so forth.

I went out, and we brought back into the service a physician to head our Quality Assurance (QA) program who had been trained from the VA's Quality Scholars Program up at Dartmouth. We are doing things to try to make ourselves better.

We put, four years ago, near-misses reporting up on our balanced scorecard as the kind of thing we wanted to do. We sent out a survey to try to change the culture so we become a learning organization. Every tragic case affects us, not only at the senior leadership level but down at the grassroots level, because nobody wants to see those kind of outcomes. I mean, we are not in it for the money here; we are in it because we care about these people. If you go visit any of our facilities and talk to the individuals, they care about what they are doing.

This issue, I agree with you, frankly—I am 'fessing up here—we need to do a better job in the recording of the data, and we have



the tool in place that we can do that with, and we are pushing forward on it, not only through the medical channels but through the line leadership channels as well.

The GAO report, that is awhile ago. That went down to Campbell. We have invited them to go back again. As a matter of fact, the GAO, I think, this week is out at Fort Lewis.

Our teams have gone out. We still have some issues with paper not being in the record, but what we are finding is, the numbers are in the central database, the forms are in the central database that people can access. So it is almost that the paper is irrelevant in some ways anymore. I know we are still graded on it.

But I think you would find a much different picture at Fort Campbell if you go down there again, because we focused on it. I have a good commander; Steve Jones down there is a great Medical Activity (MEDAC) commander who works with the leadership at those installations.

I don't dispute anything you said, either about its importance or the facts, but I would tell you, we are not being cavalier about it; we take it seriously. As I said in my opening statement, we look to see what we are doing wrong, and we try to fix it.

Mr. COOPER. Let me congratulate you, I understand you have been working with Dr. Winberg at Dartmouth to help control inexplicable, indefensible variations in care, which exists in the private sector and probably exists in military facilities as well. I hope you can share that knowledge with your colleagues.

General PEAKE. We brought Jack Winberg down to work with all of our medical consultants, because that is the kind of culture we want to promulgate, and he is working individually with some of them now.

Mr. COOPER. What specific measures are now in Army or Special Forces medicine so that a young Army wife knows that she is less likely to have a bad outcome like the case I described earlier?

General PEAKE. We can go into detail about that case off line, if you prefer, sir.

Mr. COOPER. I am interested in the general reforms like, are low-volume hospitals going to be weeded out? You have to see an adequate number of cases if you are going to retain minimal professional competence. You should be a licensed physician. You should have a number of credentials and other qualifications so that you are at least minimally qualified. Are those guarantees in place now?

General PEAKE. I think they are, sir. I think our credentialing process is a good one. We have had a fair amount of scrutiny in the past on those kinds of things. It wasn't an issue of credentialing, in that particular case, that was the problem. The problems had to do with, I think, handoff and continuity of care and gaps in communication. Those are some of the kinds of issues that we are working very hard to deal with and to make sure they don't occur. That wasn't a small, low-volume hospital.

So we have closed—you go to Fort Leavenworth, Kansas, you go to Fort Lee, Virginia, you go to Fort Wachuka, you no longer have hospitals in those places.

You get to some of the things Mr. Cole was talking about, too. It is not only economics; it is how do you do the best quality. We

are engaged in it. The world has changed. Many of the locations where our people work, at Fort Rucker, there used to be nothing down there. Now there are two really world-class hospitals. That allows us to reshape our stuff.

So, sir, it is a continuous learning organization, continually trying to improve.

Admiral COWAN. If I could offer a response, too, I think we would all be unanimous in completely agreeing with you that delivering consistent high-class quality for everything we do is the ultimate goal, and that has been the centerpiece of our philosophy and doctrine for, frankly, as long as I can remember, enduring times when we were having difficulty delivering the benefit, and people had long waiting times and we triaged by frustration tolerance. We maintained the quality.

When I look at the report of the DOD Quality Initiative Review Panel, the report and the recommendations, Dr. Buck provided four main recommendations and nine specifics. They are, uniformity of health care processes—I am just quoting some snippets—error reduction, refining credentials management, enhanced oversight and accountability and career management, install comprehensive data systems, monitor quality, upgrade education, establish Centers of Excellence, make sure providers are properly licensed and have proper credentials, ensure laboratory work meets standards, and so on.

Congressman, this reads like my calendar and has been my calendar since I have been in executive medicine. We push forward on all of these things all of the time, and it has been increasingly clear to me over my career that this is a journey, not a destination, and that these are the things that our successors 10 or 20 years from now will still be working on and working to improve, because health care is a complex, difficult business. We are driving out unneeded variation. We are driving toward standards and toward quality. And, frankly, sir, this is our core business.

General TAYLOR. Congressman, I would like to emphasize again, quality is a journey, not a destination.

Dr. Buck did a tremendous service working with the services and with health affairs in developing this report that centers in the 1999–2000 timeframe.

It is interesting to read the document to see again how far we have come, and I think when you see the responses to Dr. Snyder's 10 questions, you will see how far we have come since that report.

If you look at how we train and recruit and retrain providers, providers are brought on and they are privileged. Their credentials are meticulously checked, and they are privileged for a one-year period of time. If they don't meet standards, we have the ability to separate them from the service.

You have to reprivilege yourself every two years. Your peers take a look at you. We look at your credentials to determine you have the span of capabilities that you had, and these are performance-based requirements.

The young people we bring up are meticulously trained. The documentation of their educational status is well maintained in unit forms of advancement, whether they are enlisted or officer.

From the process standpoint, we have worked real hard in all of our processes and facilities to determine that we do exactly the right care that we can at the facilities. The Air Force has moved from a primarily small hospital-based organization to a few larger hospitals and, primarily, clinics.

Not 14 years ago, there were more in-patients at Woldford Hall Medical Center than there existed beds in the United States Air Force today. The majority of our providers that are working at small hospitals for surgical capabilities actually do their more complicated surgeries downtown in partnership with our civilian institutions, so any high-risk case can do that.

Also, it gives the provider a chance to continue a continuity of care to do a hip replacement or do a more complicated internal medical procedure downtown.

From the outcomes perspective, even yesterday, we were going over our neonatal mortality rates. We were going over our ability, how long, from antibiotic administration to knife incision in surgical operations. We were looking at the time from admission to first dose of antibiotics among pneumonias. Every month we have a board that looks at the cost spent per patient, what the productivity is for our providers.

In the end, we look at customer satisfaction rates in multiple different categories, derived from an annual survey, a survey for the clinics, which is done centrally, and each of us have other systems to check patient satisfaction at the closest point of time.

All of that is put together in sheets that each of the commands, each of the MedGroups report on their quality—as well as detailed provider handbooks, so that patients know the qualifications of the providers they are dealing with. This is a journey.

Dr. Buck's report, a brilliant report that demonstrates the high quality of the work we have done, this is all vectored into what we have been doing the last four years since the report has been in place. To my understanding, this has not been ignored; it is in the web of what we do.

I was talking to one of my folks on the work team that developed this. When you go through the report, you can see the remarkable distance in the last 4 years we have come, and we look forward to responding to the 10 questions to detail how far we have come in the last 4 years.

Mr. COOPER. I know I have strained the Chairman's patience.

Mr. McHUGH. As I said at the beginning, we try not to put any time limits on it. I think the gentleman is asking some very pertinent questions. If he wants to continue, he is free to.

Mr. COOPER. Thank you.

Mr. McHUGH. Mr. Gingrey—Dr. Gingrey, actually. The gentleman from Georgia.

Dr. GINGREY. Thank you, Mr. Chairman.

Again, I want to thank each of you for taking the time to visit with us today. Admiral Cowan and General Peake, it is certainly good to see you again.

If I may reflect for a moment on my colleague's comments, the previous line of questioning by Representative Cooper. My experience has always been on the private side. As most of the members



know, I spent 27-plus years in clinical practice, but always on the private side. Might say, meat-and-potatoes Ob-Gyn practice.

It was mentioned, of course, statistics suggest that 50,000 to 100,000 deaths occur every year because of medical error. While I may question that, certainly the 100,000 figure at the top-end estimate, certainly, too many occur. If one occurs, it is too many.

But most of them are occurring on the private side. I would think that the cases like Representative Cooper was referring to, hopefully are few and far between on the military side. I think that these things do occur, regrettably.

Someone mentioned the issue of a hand-off, one person is coming off of duty and the other person is coming on, and there are just traps where these things can occur. I have certainly seen them occur way too many times in the private sector. But occasionally, a really horrendous outcome and tragic story will occur, and it is absolutely nobody's fault. But anecdotally, when you hear about it, you think the whole system is going to hell in a hand basket.

I will relate to you one recent experience that happened in my district. A very strong supporter of mine down in Columbus, Georgia, and a young wife, 36 years old, delivered her third child, had a 6-year-old and a 4-year-old, delivered her third child—her husband was a very prominent attorney in the community—and three weeks after the birth, dropped dead while breast feeding her child. It was through no-fault of anybody's. But a story like that, if it gets told and repeated enough times in the community and embellished maybe a little bit, all of a sudden the perception is, my God, somebody did something terribly wrong. And maybe this is one of those 100,000 estimated unnecessary deaths that occur by medical errors each year that really couldn't have been prevented.

But I think, Mr. Cooper, I really enjoy serving with him, because he does stimulate and has made me come to understand that these hearings aren't pep rallies, and indeed, it is a time to stimulate us to ask these kinds of questions to make sure that we get better at what we do.

I do believe as I look at the physicians here, the witnesses, and looking through their bios, you have a specialist in aerospace medicine, you have a cardiothoracic surgeon, you have two internists, and definitely, what you are doing now, you are not in it for the money, as General Peake said, and that is really obvious.

And my colleague, Representative Cole, mentioned in his remarks, too, how appreciative we are of the job you are doing.

I am convinced that you will take very seriously the points that Mr. Cooper made in regard to making sure that these tragic things don't occur because of somebody screwing up. They can occur, sometimes, because it is just simply a bad outcome, but I think, overall, you are doing a great job.

Mr. Chairman, of course as a physician, I consider the issues we are discussing today of utmost importance. Protecting the health and well-being of our brave men and women who have dedicated their lives to protecting us is crucial. I am glad that we are taking the time to take a close look at the health care that we provide for them.

The growing cost of health care is a national concern, and it is not a phenomenon, of course, unique to the Department of Defense.



It is growing astronomically on the private side, and you are facing some of those same costs.

But also, you have a dual challenge, because of the huge increase in new military health system users and the rise in the private sector health care costs.

You mentioned, someone said, I think, that in the last year or so, the amount of spending on health care as a part, as a percentage of the overall Department of Defense budget, is now up to seven or eight percent. I hope that is a skewed percentage because of Operation Iraqi Freedom (OIF) and OEF and the tremendous expense involved with trying to make these brave men and women whole again in things like prostheses and this sort of thing and long-term rehabilitation.

In my meetings with a few of you, it has become clear you are working hard to provide the best care you possibly can within very tight budgetary constraints, and we thank you for that.

Now, here is my question. I would like to know what types of services you wish you could provide if the budgetary situation were a little different. So, if you don't mind commenting on which specific programs that you would like to see funded currently that are not funded because we just simply don't have the money.

Maybe this is a wrong perception on my part, and you can comment on this, but it seems like within a discretionary spending item, you have a mandatory spending cost, and that mandatory part of a discretionary amount of funding, hopefully \$401 billion and a few dollars in the 2005 budget, how do you deal with that?

Dr. WINKENWERDER. Congressman, thank you for that question. The whole issue of the way our budget process or our budget works within DOD and the way we are established is an interesting question.

We are mandatory spending. We cannot not provide medical care, not do a life saving procedure, turn people away, and we would never want to. But according to the rules, we are discretionary spending. So that creates some particularly, I think, at times difficult issues to deal with.

One of the things we are trying to do better, as we manage our program over the long term, is to project and predict our costs and to be realistic about them.

If I might say, in the past, I think there was at times no realism with respect to these future cost trends. That doesn't help anybody if we are not realistic within the Department or in partnership with our colleagues at the Office of Management and Budget (OMB) or with you here in Congress.

We need to be honest. We need to give you our best estimate of what we think the growing costs will be, what the trends are. We are not going to be perfect, but we like to think we can predict within a percentage or two. But with \$30 billion being spent, 2 percent is \$600 million. So it is a lot of money.

Having come from the private sector in insurance, we could adjust. When we were going over, so to speak, our budget, we would raise our premiums. We can't do that.

So, we have a unique set of challenges, and I think we have to think about that as we go forward in managing this practice, managing it cost-effectively.

I will touch on one other item, and that is just the whole notion that we have a tremendous benefit, a great benefit. I think we do have to keep in mind as we lookout into the future a sense of comparability with benefits in the private sector, particularly for our retiree population. And I think that is important to do, because should we not do that, then we are sort of out of whack, so to speak. So I think we need to be mindful of that. It needs to enter into our thinking.

I believe that our benefit always should be better, and it should be better because of the sacrifice that our men and women who are in uniform today as well as our retirees have made to their country. But there is the issue of how much different can it affordably be. So I just offer that as something for us to think about.

With respect to your specific question about the types of services we wish we could provide if there was funding, I cannot think of a category of something that we don't cover that we should or that we don't because of budgetary reasons. I know there are issues year to year within each of the services because of the constraints of—whether it is in capital spending or certain facility improvements that they would like to do and, frankly, I would like to do.

But that is why I made the point earlier about flexibility is so important in managing this type of large program, that we have the flexibility to move dollars so that we can make and not be fixed on, you know, because of the rules or because of the law. We have to, I think, be given as much flexibility as possible under your oversight and, at the same time, be held accountable. And if we are not doing the good job that is required, then you need to hold us accountable.

But I think with something that is as large and as changing as health care is, we need that flexibility. And that was part of the reason to, maybe, comment about the restrictions on reprogramming that we currently deal with that, I think, makes it harder for us.

But with that, maybe I will let our colleagues speak.

Admiral COWAN. We have, over the past decade, Congressman, changed our concept of who we are. A decade ago, we were a reactive health care delivery system.

We feel that we have evolved to become a health system as we have increasingly invested parts of our portfolio over to the maintenance and the preservation of health rather than concentrating more strongly on waiting until people got sick and treating them and then sending them back.

In that same period of time we have seen changes in American society that confound those efforts. One of them, in particular, is the increasing epidemic of obesity. CDC has been measuring the prevalence of obesity, which is not just being overweight but really clinically obese, and found that skyrocketing until, I think, it is fair to say in round numbers almost 25 percent of Americans are clinically obese and subject to those diseases of obesity and inactivity, severely driving health care costs up and now rivaling cigarette smoking in America as a cause of morbidity and mortality.

I think our benefit is quite good, and I think that we cover all of the reactive things that we should. And if there were opportunities for greater investments in this important and demographically

changing health population profile, that would be where I would invest. And we are particularly uniquely suited to be effective in that.

Health care plans in American medicine, in general, keep their patients four to five years, is it? Dr. Winkenwerder is the expert on that, and he said, yes, about four to five years on average. And it makes it very difficult for them to justify the economics of investing in long-term health payoffs that come 20 or 30 or 50 years later.

We, on the other hand, essentially every 60-year-old that is in our system was in our system when they were 20 and were developing the adult health habits—smoking, drinking, inactivity, obesity—that we then have to provide care for as they develop the predictable diseases of hypertension, heart disease, congestive failure, arthritis and so on when they reach their 50's and 60's.

We have really come a long way. We are very proud of our approach to family-centered health and population health. But it is, Congressman Cooper, another journey, not a destination, and we are not there yet, either. And that would be my comment.

General TAYLOR. Just to be specific for you, we have a very fine benefit. I think everybody agrees, the benefit that—you go to actuarial, it is actually difficult to price out because the benefit is so rich. And we have wonderful providers and wonderful staff members that we hire, whether they are contractor, civil service, or active duty or guardsmen and reservists.

The environment of care is something we all work very hard to do. We have a military construction project that has a 50-year recapitalization, which means we replace our medical treatment facilities every 100 years.

Right now, 4 percent of the Air Force facilities are more than 40 years old, and 20 at 40 percent if we maintain that rate. So everybody here, I think, wishes that we could refresh our hospitals in a more timely fashion than we have been able to, all our medical treatment facilities.

And when you work in a difficult financial environment, with skyrocketing costs, it makes it very difficult to make optimization choices and place advancements in medical practice in early because we get squeezed for funding.

And so certainly in the past, we have had some advances in medical practice money that we have been able to use not only to advance the clinical practice but also the surveillance and the preventive medicine practice. Those optimization and advances in medical practice dollars that the Congress has provided in the last few years have helped us take the revolutionary jumps that the Air Force has taken in many of these systems.

So I would say, my focus would be on the environment of care. It is a better way to maintain our people, it makes you proud to walk into the facility. I am sorry Mr. Hayes went—I was going to get his comment about the Pope Clinic, which is one of the facilities that we are desperate to replace here shortly. But having a replacement cycle that is 50 years when the industry standard is 21 is something that eventually we are going to be more and more non-competitive. And folks are going to walk into a facility and say this is not what I deserve and the providers are not going to work



there. So there is a focus, and my attention would be in the recapitalization rate of our heart, our facilities.

General PEAKE. Sir, I would agree with all that has been said with Mike in terms of moving forward, in terms of the prevention aspects, with General Taylor in terms of the recapitalization issues, with Dr. Winkenwerder in terms of the—well, the fact is, over 19 years we have had—what—17 years of major reprogramming or supplementals to make the health budget what it is. What that means is the money comes late, doesn't get used as effectively.

So from an operator perspective, the venture capital that we have had has been absolutely essential. It has changed the culture of Army medicine to be more business-like and appropriate, and I gave some examples in my opening statement about how good that has been for us.

Advances in medical practice have given us the opportunity to go out and do (PET-CT) so that—and put it in a logical way and stay up with what is going on in the civilian sector. And we are starting to see changes in the staging of cancer by using this technology. Those kinds of things are important to us.

Service Life Maintenance (SLM) is the maintenance of those facilities that are old, and you know, every year, that becomes my cushion of where I have to take money on if I am going to do the right thing for patient care kinds of programs.

I think the notion of appropriately funding where we are going with the electronic patient record is important to us so that we get the right training and really get it out there as a system, instead of you know, sort of—if I had extra dollars, it is in those kinds of things, sir, where I would start to put them as well as push them out to the local level where they can actually use them and be incentivized by what they can save in their system, which goes to Dr. Winkenwerder's point, this barrier between direct-care money and purchase-care money.

I mean, this year, I don't have money to give him. He doesn't have money to give me, is the way it looks. But in the long run, if you have an appropriate fund, then that starts to say, we ought to really have the ability to make the best quality choices with the metrics, sir, that gives us the readiness so we know we are fully funding the readiness piece as we are, which is what we exist for.

Dr. GINGREY. Thank you all.

Thank you, Mr. Chairman.

Mr. McHUGH. Before I yield to the gentlelady from Guam, I would just note, Dr. Winkenwerder has referenced that, understandably, a couple times about flexibility, that fencing, which I think was well-intended when the appropriators put it in, was an appropriations initiative. The subcommittees are very aware of your concerns about that, and we are engaged with our subcommittee colleagues on seeing what we can do to make that work better for you.

Dr. WINKENWERDER. We appreciate that.

Mr. McHUGH. The gentlelady from Guam, Ms. Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman.

If we could turn our attention to the Pacific area for a few minutes where it is nice and warm and beautiful. A question goes to, I think, Dr. Winkenwerder and also to the Admiral, since we have



a naval hospital in Guam. This is a longstanding concern to the provision of health care in the Pacific Command.

Late last year, Congress reauthorized the U.S. law implementing the recently renegotiated Compact of Free Association between the United States Government, the governments of the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau and the affected jurisdictions. A particular provision was renewed so that it specifically requires the use of DOD medical facilities on a space-available and reimbursable basis for treatment of these citizens who migrate to the United States under the terms of the Compact and who are properly referred to the facilities by Government authorities.

The civilian hospitals, gentlemen, in Guam and Hawaii, are already overwhelmed with this particular problem and are unable to be reimbursed for their expenses.

Now, the new law, which I have right here, mandates that DOD medical facilities, in this case the U.S. Naval Hospital in Guam and Tripler Army Medical Center in Hawaii, be made available to help in the treatment of Freely Associated State (FAS) citizens migrating to the United States. The conditions of this mandated DOD medical facility availability are that it be on a space-available and reimbursable basis.

Speaking of space availability, the Navy hospital doesn't have anything to worry about in that area. That is one underutilized hospital. I would like for you to inform me of what action, if any—and I realize that this law is only three-months-old—any one of the services has taken since enactment of the new law to ensure its effective implementation?

Have any guidelines, protocol or Memorandum of Understanding (MOU)s been drafted and issued that clarify who appropriates referral authorities and who they are within the local government and under what conditions space availability would be determined?

I served as a local government official for a number of years, and this has been a perennial problem. Our civilian hospital is small compared to the naval hospital, and we are overcrowded, underfinanced, and you name it, we have the problem. And each time we ask the naval hospital to assist us, the answer is a definite no.

Now, the new law states that DOD medical facilities—the Secretary of Defense shall make available on a space-available and reimbursable basis the medical facilities of the Department of Defense for use by these citizens.

So I was wondering, what kind of a reimbursement process from the Federal Government would work? I don't want the Department of Defense footing a bill like we had to for many years. So I just wonder, what action has been taken in that respect, Doctor?

Dr. WINKENWERDER. Congresswoman, thank you for your question.

We are complying with the requirements of the Compact of Free Association Amendment Act of 2003. One challenge, as I understand it, in implementing this act is the requirement that care, in order to be provided at such facilities, needs to be properly referred by government authorities responsible for the provision of medical services. So on the referring end, from some of these states, the referral needs to generate there with something authorizing that.

So as I understand it, the approach has been to require a letter signed by an appropriate government official authorizing the DOD medical facility to provide the medical care and to bill the countries for the cost. And as I understand it, the treatment for these patients, for the most part, as you noted, has been at Tripler, and Guam has had some increase in visits.

But I will let—maybe, Admiral Cowan might have more details on this. We are certainly committed to implementing the law.

Admiral COWAN. I think, Congresswoman, I think there are two questions that are pertinent, particularly important. One is, we have been doing pay-for-treatment for some time, and I honestly don't understand fully the implications of the new law. And the second is that the referral, as we have understood it to this point, is referral from the governmental authorities—properly referred to such facilities by government authorities responsible for provision of medical services. And so I believe that would be the—

Ms. BORDALLO. You are requesting a letter now from the citizen who arrives from Palau or FAS or a letter from our hospital saying that we cannot accommodate them. Which is it?

Dr. WINKENWERDER. That is the letter from the Minister of Health.

Admiral COWAN. Letter from the Minister of Health asking for that service.

Ms. BORDALLO. From Guam?

Admiral COWAN. Yes.

Ms. BORDALLO. Stating that we, under certain circumstances, cannot take the patient in?

Admiral COWAN. Yes.

Ms. BORDALLO. Because you see, our hospital is about a fourth of the size of yours, and so many times, we are just overcrowded, and we cannot accept the patients. But when I served as an official with the government there, the military always just said, "No, we are not allowed to take them." but this law now has changed slightly, and it says it shall make available.

You don't have an availability problem, Admiral. You know, the naval hospital is truly underutilized in Guam, and I understand they are going to build a new one in several years. So I just wanted clarification. Is there something on the table like an MOU or some guidelines or protocol that you have developed?

Admiral COWAN. I think that I would serve you much better by taking that question and getting back to you.

Ms. BORDALLO. Very good. Thank you.

Thank you very much, Mr. Chairman.

Mr. MCHUGH. Dr. Snyder, you indicated you had a quick question.

Dr. SNYDER. Thank you, Mr. Chairman.

Admiral Cowan and General Peake, this is your all's last time to testify here, so this is kind of the speak-now-or-forever-hold-your-peace time. This may be similar to Art Linkletter and his Kids Say the Darndest Things. His best question or most productive question always used to be: Is there anything your mommy and daddy told you not to tell us about?

You all have a—coming from the perspective of having been in this business a long time, are there areas of problems or challenges

that you think we ought to, that the Congress and the military ought to be paying more attention to than we are right now or things we haven't talked about? Are there specific areas that you think we ought to work on or the medical health service ought to work on?

Admiral Cowan.

Admiral COWAN. I think, fundamentally, we are—we, the medical services, are on the right track. The things that have kept me up at night over the last years have been the execution through this huge system, trying to implement a health care benefit worldwide that is a uniform benefit for highly different categories of people and to maintain the capability to go to war at the same time. So it has been a real walking-and-chewing-gum kind of experience.

The thing that would have—the single thing that would have done the most for having fewer sleepless nights would have been if we had had the same amount of resources that were budgeted in a more consistent way, if the money we typically made up in mid-year had come earlier, if the estimates of the cost of this expanding benefit had been more congruent with what the cost actually turned out to be as we went through the year.

And I think General Peake said that, again, more fluently than I just have: A dollar at the first of the year is worth a whole lot more than a dollar that comes in May or June of that year.

I think that it has been a struggle for us all, particularly since 2001, because of the rapid change in the benefit. I don't know another health plan anywhere that adds 3.5 million people to its beneficiary category overnight as we did when TRICARE for Life became a part of our program. It has been spectacularly and rapidly changing.

And I suppose, if I could just personally—if I were to be here longer and I would ask a personal favor, I think it would be to help us let this benefit hold still for a while. There are certainly more improvements, there are things that we can and should do better or different for populations. But if we could have a time to allow these oscillations of our patient behavior and our funding predictions to get in a more stable environment, then I think that we would all be much happier with our performance, our projections, our expectations and our ability to care for our patients.

Dr. SNYDER. Thank you.

General PEAKE. Well, sir, it is sort of a two-part question. I guess one of the things I would—you say, what could you all do that I would like to see? And I guess I would like to see more of an opportunity to tell our story to you, not here but out where our people are really doing the work.

We are an incredibly complex organization, with our research, with our varieties of organizations that do really much more than just support that soldier who is kicking down a door and shooting somebody. I mean, it really, when you start looking at the depth of what we offer in this issue of homeland defense or in looking at things that the rest of the commercial world isn't interested in, like malaria vaccines in the United States, I mean, we are the ones who do that. •

So there is a whole other section that we hardly ever talked about in here that is important to us as an integrated system to



be able to do the things you want us to do, which is fundamentally make sure that we as a nation are ready to answer the call wherever and whenever we go.

I think we do have the kind of opportunity, sort of, that Congressman Cooper alluded to, the opportunity to be the very best.

I think you are absolutely rightfully our prodders and our watchdogs. And frankly, you know, in the Army we talk about, if it ain't inspected, it's neglected. You all are part of our inspection program. And I accept that and understand it. And it doesn't necessarily always make me comfortable, but the fact is, I think it is a good thing.

What I think we ought to do is not take our eye off of the ball of why we really exist. I mean, it is really fundamentally important to deliver the benefit in the best way we can, in the most cost-effective way we can, from a taxpayer dollar perspective.

But fundamentally, we are about serving the Nation and serving our soldiers and our sailors, airmen, and Marines who really as patients are purple. It is not a—you know, it doesn't make a hoot of difference to me what uniform that soldier or sailor, airman, or Marine wears. When they come through our facility, they are our family. And I think that family piece is not an unimportant thing.

So it is not just, well, you know, we can knock it down and define readiness as somebody that is going to go to war. It is broader than that. It is having the culture to wrap our arms around so they know that we are taking care of them when they come back. It is a bigger issue than that.

Now, that doesn't mean that we shouldn't—with the benefit we have and with the population we serve, we clearly need to work with this third panel that you are going to be talking to, who are in terms of our contractors and so forth. It is absolutely important. We have to leverage the medical industrial complex out there to be able to do the right thing by our patients. But we don't want to take our eye off of the ball of why we have a military health system, Army, Navy, and Air Force, as we move through this.

Dr. SNYDER. Thank you, Mr. Chairman.

Mr. McHUGH. The gentleman from North Carolina. Before I yield to him, I will just note to the members of the subcommittee, we are working on 2.5 hours on this panel. We have two more panels to go. I think, another reason, in fairness to the other panels, we have to start being a little more reasonable in our demands on these panels' times.

I am still going to resist using the clock, but we have votes coming up, and there are other members. And these are important issues, and I don't mean this to suggest otherwise. But I want to yield to the gentleman from North Carolina, the gentlelady from Guam, who would like other questions.

We will go as long as it takes until the vote is called, and then we are done. And then I would suggest—and the other reason I am interjecting—if other members have questions, we will be submitting written questions for the record to not just this panel but the other two, and perhaps we could accommodate your questions in that way.

So, with that, the gentleman from North Carolina.



Mr. HAYES. Thank you, Mr. Chairman. I know you weren't talking to me.

Back to my earlier question, the wife of a deployed spouse in North Carolina who can't take her child with the croup to the VA hospital, what is she coming away from this hearing today saying, "What is this August panel doing to help me with my child with the croup?" Just a question to answer. You may not have it all today, but help me follow up with that as we go forward.

Dr. WINKENWERDER. With our benefit, she should be able to go to her local community hospital and, hopefully, see the same physician she has been seeing.

Mr. HAYES. Get us some more physicians.

Thank you, Mr. Chairman.

Mr. MCHUGH. Bad news for the first panel. I just received an e-mail from the floor, and they have postponed the vote until 2:30.

The final yield for this panel, I promise you. The gentlelady from Guam.

Ms. BORDALLO. Thank you, Mr. Chairman. I will make it very quick. It has to do with a different kind of a patient called the Brown Tree Snake.

Dr. Winkenwerder, for roughly the past 10 years as you know, thanks to Congress, the need to control the Brown Tree Snake from spreading to Hawaii and the United States' mainland has been addressed, although somewhat inadequately, but primarily through an annual \$1 million appropriation in the Defense Health Services Operations and Maintenance Account.

It is my understanding that this funding to tackle this invasive species threat is transferred each year from Army Medical Command (MEDCOM) to U.S. Department of Agriculture (USDA) Wildlife Services via the Tripler Army Medical Center in Hawaii. While we have DOD and the Senate to thank for this critical interdiction work, I believe that the roundabout method for funding this work is not helping the cause and should be readdressed.

I am interested in learning your views on how DOD views this funding and their role in managing its pass-through to USDA. Is Brown Tree Snake Control viewed as an environmental or a base operations responsibility? And do you believe that this funding can be better provided elsewhere and outside of health services?

Dr. WINKENWERDER. For the life of me, Congresswoman, I do not understand why we are funding a snake control programs through the Defense Health Authorization or through the Defense Health Program. We pay for all kinds of things, but snake control is not one that I would have thought of. I have been made aware of this.

I think, to cut to the point, we believe that this would be better funded directly through the Department of Agriculture so that the money could be efficiently distributed to the Fish and Wildlife Service.

Ms. BORDALLO. Thank you.

Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentlelady.

And, gentlemen, thank you all so much.

And a particular final word of appreciate to General Peake and Admiral Cowan for your service.

Dr. WINKENWERDER. Mr. Chairman, may I make one other comment, if I might?

I too, I wanted to recognize, just for the record, General Peake and Admiral Cowan for their great work and to say that it has been a pleasure to work with them. We have several more months, obviously, working together.

But they are outstanding medical and administrative leaders, and just the highest accolades should go to them in terms of their professionalism, their competency, their commitment, caring for people. And it has been a real pleasure to work with them, and I appreciate all that they have done.

Mr. McHUGH. And we share in your very gracious and eloquent comments. And so, gentlemen, thank you for your service. Good luck. You are dismissed, adjourned. Run like hell before somebody thinks of a question.

If I could have the next panel please join us at the table.

Let me welcome our second panel and commend them on their patience, which will only be exceeded by the third panel's patience, assuming the third panel stays with us, which I hope they will.

But let me introduce the distinguished second panel, if I might, in the order—I am not sure it will be in the order in which you are seated; if it is not, I apologize, but let us hope.

First, we have Dr. Sue Schwartz, co-chair of the Military Coalition's Health Care Committee.

Welcome.

She is accompanied by Robert Washington, Sr., who is also co-chair of the Military Coalition's Health Care Committee. As I understand it, Dr. Schwartz will be presenting the testimony and Mr. Washington is available as well for answering any questions the subcommittee may have.

Next, Kimberly Stanish, who is co-chair of the National Military Veterans Alliance Health Care Committee.

Welcome. There you are over there.

And she is accompanied by Ben Butler, United States Marine Corps, Retired, who is the co-chair of the National Military Veterans Alliance and legislative director of the National Association for Uniformed Services.

Welcome, sir.

And also, Dr. Alfred Buck, chairman of the Department of Defense Health Care Quality Initiatives Review Panel and partner in the firm of Edward Martin & Associates, Incorporated.

And welcome to you, sir. Thank you all for joining us. As I said, thank you for your patience.

And, with that, why don't we begin with you, Dr. Schwartz.

**STATEMENT OF DR. SUE SCHWARTZ, DBA, RN, MILITARY OFFICERS ASSOCIATION OF AMERICA, CO-CHAIRMAN, THE MILITARY COALITION'S HEALTH CARE COMMITTEE**

Dr. SCHWARTZ. Good morning, Mr. Chairman, Dr. Snyder, and distinguished members of the subcommittee. It is an honor to have the opportunity to address you today concerning the Military Coalition's view under the Defense Health Program. I am joined today by my colleague Mr. Bob Washington who co-chairs the Health Care Committee with me.

I want to reiterate our deep appreciation to the entire subcommittee for your leadership in sponsoring a wide range of landmark health care initiatives over the past few years, particularly for Medicare eligibles and active duty families. We are most grateful for the subcommittee's leadership last year directing DOD to take specific action to address chronic access problems for TRICARE standard beneficiaries under the age of 65 and to begin to address health care needs for the Selected Reserve.

We ask the subcommittee for continued emphasis in ensuring these enhancements are implemented promptly and effectively.

DOD officials speak of, quote, "funding shortfalls in the out years," but there are current problems as well. Bases are turning away retirees from their pharmacies saying this is due to budget cuts. Last year, OMB even considered increasing retiree pharmacy cost-share significantly, even going so far as to propose charging retirees for medications obtained in military pharmacies.

We ask the subcommittee's continued support in authorizing sufficient amounts for both the direct- and purchase-care systems so that the defense health budget doesn't have to be balanced on the back of beneficiaries.

This year, the new TRICARE contracts will greatly impact the program and our members, and with change always comes challenges. We are firmly committed to working with Congress, the Department, and the contractors to make implementation as smooth as possible.

However, the Coalition's concerns are that the transition be seamless for the beneficiary, that service by the previous contractors must not be compromised as contracts are phased out, that provider churn must be kept to a minimum so that beneficiaries don't have to change doctors, not just in the civilian contractor networks but also with resource-sharing personnel and military hospitals and clinics.

Beneficiaries must receive timely information on the new contracts, provider networks and where they can get help when needed and also balancing the need for a uniform benefit with three contractors' interpretations of what is their best business practices.

Sometime later this year, DOD will be implementing the uniform formulary. Coalition concerns about creating a third tier of non-preferred drugs include the need for a robust formulary that includes the most frequently prescribed medications. The program must be streamlined as much as possible to avoid unnecessary hassles for both providers and patients.

Beneficiaries and providers shouldn't have to jump through hoops just to meet medical-necessity, prior-authorization or appeals procedures, and that ongoing beneficiary education be readily available.

This subcommittee has gone a long way to address daunting and significant problems. Many have been around for decades, and it is going to take continuous monitoring and follow-up to ensure that actions are taken with intended effects.

In the last session of Congress, you took the first steps to extend the guard and reserve additional TRICARE coverage, before and after mobilization, and to provide TRICARE on a cost-share basis for members without access to employer-sponsored care.



Mr. Chairman, it is disturbing that four months have passed, and DOD has not implemented all of these provisions. The Coalition is most pleased to learn today that the Defense Department will be enacting Section 704 to extend the Transition Assistance Management Program (TAMP) program.

However, as you also heard this morning, the Defense Department cannot tell us if or when they will be able to implement access to TRICARE on a cost-share basis for those without health care.

These programs are temporary, and the clock is ticking. The authority and funds for this legislation expire at the end of the year, but, Mr. Chairman, the call-ups will not.

How can we expect to have a valid test when the time is running out? The Coalition urges you to send a strong message that health care for guard and reserves and their family members is a priority. We ask you to take steps to make these provisions permanent.

In addition, we ask that reservists, when mobilized, who elect to remain in their other health insurance programs are given the option to have part of their civilian insurance premiums paid up to the value of the TRICARE benefit. DOD already offers this benefit to its own reservist employees.

The Coalition believes that we need to enhance health care for guard and reserve families because it is a readiness issue; it is a quality of life issue to provide affordable health care to reserve families. It will stimulate recruiting and retention efforts, and it gives employers of mobilized members financial incentives. Dependence on guard and reserve personnel will not decrease and will most likely grow. Making these health care enhancements permanent demonstrates that we appreciate the service and sacrifice of our citizen soldiers and their families.

We deeply appreciate the subcommittee's ongoing leadership and commitment to those who are in uniform today and those who have served our nation in the past. I look forward to answering your questions.

[The joint prepared statement of Dr. Schwartz and Mr. Washington can be found in the Appendix on page 723.]

Mr. McHUGH. Thank you very much. Doctor, as always, we appreciate your leadership and your willingness to help us address these issues, and it is good to see you again.

I am trying to figure out how we introduce—why don't we just go down the table. I know I had Ms. Stanish next. But Dr. Buck, if you would be so kind, we would be anxious to hear your testimony, sir.

#### **STATEMENT OF ALFRED S. BUCK, MD, FACS, CHAIRMAN, DEPARTMENT OF DEFENSE HEALTHCARE QUALITY INITIATIVES REVIEW PANEL**

Dr. BUCK. Thank you, sir.

Mr. Chairman and members of the subcommittee, it is an honor for me to appear before you today. I understand that the prepared statement is before you, the entire report is available for your review and that the executive summary of the report will also be entered into the record.



[The information referred to can be found in the Appendix on page 809.]

In considering the written statement submitted to you, I would like to emphasize three aspects.

First, the questions posed. Have the recommendations of the panel been addressed? And are there residual priorities?

Second, the problem areas presented—as the bulleted list presents challenges of an ongoing nature, and I think we had that reinforced earlier this morning.

These areas will continue to require commitment, direction, and oversight for the foreseeable future for the direct as well as the contracted care components of the Defense Health System. All areas will remain relevant to system improvement.

Third, I have crafted some examples or questions listed on the last page of the statement that could be useful in an assessment of progress, and I would like to expand on two of them, Item 3 and Item 4.

Item 3 states: Have demonstration projects been designed and implemented, et cetera, et cetera?

The need to explore ways of maintaining and improving the clinical management of high-risk, resource-intense, diagnosis-related groups and procedures was and still remains a crucial one. With few exceptions, this is not made easier by a lack of uniform comparative metrics among DOD entities and among potentially collaborating VA, university and civilian contracted entities.

In addition, volume criteria, how many cases per annum per team constitute, credible safety-enhancing experience, case acuity measures and issues of the position and scope of graduate medical education in the military remain a vexing mix of policy matters inextricably pertinent to improving management of predictably high-risk patients.

Consolidation of high-risk, resource-intense clinical activities, if addressed with well-designed pilot demonstrations as recommended, can offer the benefit of policy refinement that is supportive of a single standard of care, uniform cost and resource methodologies, and the utilization of process and outcome measures that enable helpful analyses across organizations, services, agencies and regions.

Item 4: Has a streamlined tri-service risk management process been implemented, et cetera, et cetera?

Enlightened safety management is based on enhanced communication, root-cause analysis, process redesign, education and responsive resource management.

These important capabilities depend on a risk-management process that offers a strong alternative path for dealing with the very much smaller incidences of neglect, incompetence or worse. The tools for enhanced risk management seemed readily available at the time of the panel's review, hence the follow-up question or example.

Finally, what should a recommendation be for your consideration at this time?

On behalf of the panel, I suggest that an assessment of progress in addressing the recommendations of the panel be undertaken. Any residual priorities, of course, would be of particular interest.

In closing, on behalf of each of the panel members, I want to express my respect to the subcommittee and my appreciation for its interest and consideration, and I would later welcome any comments or questions.

[The prepared statement of Dr. Buck can be found in the Appendix on page 749.]

Mr. MCHUGH. Thank you very much, Doctor. We do appreciate that, and appreciate your being here as well.

Next, Ms. Stanish, welcome.

**STATEMENT OF KIMBERLY ANN STANISH, HEALTH CARE COMMITTEE CO-CHAIR, NATIONAL MILITARY VETERANS ALLIANCE**

Ms. STANISH. Thank you, Mr. Chairman, Mr. Snyder, distinguished members, thank you for giving me my first opportunity to present testimony.

On behalf of the National Military Veterans Alliance, I would like to express our appreciation for the subcommittee's recent initiatives in military health care and thank you for the opportunity to present testimony on two issues highlighted from our written testimony, those affecting our service members and their families, the TRICARE standard program, and health care for our National Guard and reserves.

First, while the Alliance would like to thank the committee for the improvements to the TRICARE Standard benefit contained in Section 723-724 of the fiscal year 2004 National Defense Authorization Act, we ask the committee to, again, examine the continued lack of provider participation due to the low reimbursement rates, slow claims-processing, and administrative hassles. The Alliance firmly believes that raising the TRICARE payment level is a critical step to enhancing the standard benefit.

We were very pleased with the corrections and the Medicare reimbursement rates Congress provided this year and hope that this is one more step toward correcting the problem of low participation in TRICARE Standard. However, the lack of provider education is another reason for the low participation in the TRICARE Standard program.

Currently, DOD's managed care support contractors are not required to educate providers or potential providers of the Standard program while setting up a network, nor are they required to create networks outside of the military treatment catchment areas. We understand this.

The Alliance urges the subcommittee to require DOD to establish a mechanism to educate all providers about the Standard benefit and to actively recruit providers outside of the catchment areas.

Mr. Chairman, the Alliance would also like to express our gratitude for the subcommittee's efforts toward expanding the military health care for our National Guard and reserve components and their families. The war on terrorism has gone from a short-term endeavor to being described as a multi-generational, prolonged engagement.

Assistant Secretary of Defense Rear Admiral Thomas Hall stated at the Senate Reserve Caucus meeting on March 4th that 37 percent of the Guard and Reserve forces have already been called up

to duty. However, studies have shown that between 20 and 25 percent of these National Guard and reserves are currently uninsured.

Uninsured individuals are more likely to neglect their current and preventive health care needs because of the overwhelming expense of self-insurance—being self-insured or pay-as-you-go. Health care readiness remains the number one problem when mobilizing the reserve component.

Therefore, the Alliance strongly urges the subcommittee to expand full health care coverage in order to support full medical, physical and emotional readiness for the Guard and Reserve.

The fiscal year 2004 NDAA authorized temporary TRICARE coverage for unemployed and uninsured Guard and Reserve ending December 31, 2004. Due to the administrative difficulties expressed in the earlier panel, the TRICARE Management Activity has yet to implement this new program.

While the Senate has already taken steps to making this a permanent benefit, the Alliance urges you to encourage DOD to implement the program as soon as possible.

We would also like for you to fulfill the original intent of the program, therefore extending the program to cover the proposed full year from the date of implementation. This would allow the guard and reserve to actually use the benefit and DOD to fully test the program for participation and cost.

Members of the committee, as I end, I did want to mention one issue we are watching very closely. The Alliance is seeking a seamless transition from the old to the new contracts, which, as you are well aware, have already begun. Seamless transition means that health care services are not disruptive to the beneficiary. Over 600 current resource-sharing agreements provide multiple services to these patients.

These agreements are set to end at the start of the new contract. The Alliance is greatly concerned that the same high-quality services might not be replaced in a timely manner. We will continue to monitor the situation and hope that you do the same.

Mr. Chairman, members of the committee, again, thank you for your continuous work to improve health care for the uniformed services and their families. We look forward to working with you in the coming year to develop the health care benefits that our active duty, guard and retirees have earned and deserve. And I look forward to answering any questions.

[The joint prepared statement of Ms. Stanish and Mr. Butler can be found in the Appendix on page 752.]

Mr. MCHUGH. Thank you very much. And welcome.

#### **STATEMENT OF BENJAMIN BUTLER, NATIONAL ASSOCIATION FOR UNIFORMED SERVICES, DIRECTOR OF LEGISLATION**

Mr. BUTLER. Let me start with an area that I had mentioned to the previous panel as an area of great concern to me, and Ms. Stanish mentioned it in her comments as did others. And that is the medical readiness of the reserve component.

Clearly, one of the ways by which you answer that is to provide insurance to the reserve component on a permanent basis. And the discussions on that are going to continue, costs and other factors,



philosophical factors as well as to the division of benefits between the active and reserve component.

But in any event, beyond that, do any of you have any thoughts as to, number one, how the Department is doing and the military branches themselves in ensuring medical readiness of the reserve component? And do you have any thoughts about what we can do to incentivize or what needs to be done to ensure that that readiness issue is at least significantly decreased?

And I start with Ms. Stanish because you ended up in that area. If you have any additional thoughts—you made some.

Ms. STANISH. My concern has always been, with 701, is with the funding. We all know that the funding for the dental and medical screening is to come out of the Reserve pot itself, not out of the DHP.

But if there is already a lack of funding for within the reserve care, it is piece-meal. It depends if that unit is going to be able to find the funding, create an MOU with a local doctor to be able to do the screening. That is one step in having a ready unit, a ready force, is knowing that their teeth are healthy, and that there isn't a heart murmur before they get deployed. So finding funding and making sure that it is there is something that to me is a no-brainer.

Mr. MCHUGH. Thank you.

Dr. Schwartz.

Dr. SCHWARTZ. You are going to be having a hearing on the 25th. Correct?

Mr. MCHUGH. I am looking for tidbits.

Dr. SCHWARTZ. You are looking for tidbits. Well, you know, I think it is kind of what General Taylor said. You know, the Air Force brought things up quickly because they need to go quickly, and they need to have checklists and things like that the way aviators do. Well, you know, your group cannot go. And commanders need to be held accountable for, quote, "that metric", just like they are held accountable for their equipment being ready.

I mean, you know, the helicopters can't go if there is corrosion. Well, if your helicopters can't go because there is corrosion, then your men and women can't go if there is corrosion. So be—in the terms of the same standards for their personnel as they are held to for their equipment. And that would be my tidbit.

Mr. MCHUGH. I agree.

Dr. Buck, do you have any thoughts on that?

Dr. BUCK. Well, at the risk of digging too far back into my own personal career, I would just offer an observation. And that was—and I can't advise you whether it is still true or not. But I had the perception years ago that the command structure of the reserves, both Army, Navy, and Air Force, was so disparate from the—I should say, different in terms of location and some organizational aspects, that it perhaps created part of this disconnect in communication. Just offer that as an observation. It may not even be pertinent today.

Mr. MCHUGH. I thank you for that.

Mr. Washington or Mr. Butler, any additional thoughts?

Mr. BUTLER. Just, Mr. Chairman, that we have this opportunity to provide the uninsured reservists a program that they can use.



And we have heard comments about, should the reserves get the same benefit as the active duty, and I know you have heard that, too.

It is not the same benefit. It is going to be more expensive, first of all. But the reservists—in the last two wars, the reservists have played a substantial role, and they should be rewarded for their part in our Nation's defense, much different than prior to the first Gulf War.

I spent eight years as a recruiter in upstate New York, in your stomping grounds. And when a young man came in and talked about going into the reserves, I said, "Well, you know, here is the way it works. They send the active duty folks over, and then they activate the reserves to take care of the things back in the States. And if things ever got bad enough to where they needed more people, then the reserves would go."

Obviously, that is definitely not the case now, so we need to take care of them.

[The prepared statement of Mr. Butler and Ms. Stanish can be found in the Appendix on page 752.]

Mr. MCHUGH. I appreciate that. And I should clarify—and thank you for reminding me that maybe I need to do this—that concern of a philosophical nature is not something I hold. I mean, I do think there have to be distinctions, but I am not sure you draw the bright line on medical care and medical readiness. I just think there are other places that, perhaps, we could better determine the differences between the active component and the reserve component.

For the record as well, unfortunately, I haven't stomped in a long time. And I don't say that with any glee, I assure you. Thank you.

Mr. Washington, I didn't know if you had anything.

**STATEMENT OF ROBERT WASHINGTON, FLEET RESERVE ASSOCIATION, CO-CHAIRMAN, THE MILITARY COALITION'S HEALTH CARE COMMITTEE**

Mr. WASHINGTON. Yes, sir. I think my biggest concern would be the fact that, as was mentioned earlier about Section 701, 703 and 704 being in place, those sections cover the individuals themselves.

Section 702, the portion that they are having the difficulty with, covers the family members as well. And I think that the law has already been laid out to temporarily extend those benefits to those guard and reserves and their family members for a one-year period. And I think they should stand fast to the law and implement their processes so at least those folks that fall under the guidelines of that law are protected.

And then the possibility of a long-term study—and I say study because I am afraid of demonstrations because the Department doesn't have a very good track record in demonstrations. And I can refer to two or three years ago with the Federal Employee Health Benefit Program (FEHBP) demonstration process that was, I thought, believed to be destined for failure, and it did fail.

So I think that the law is written. A promise made is a promise kept, and I think they should immediately implement the program at least to take care of those folks who do not have any health care insurance and protect those folks.

[The joint prepared statement of Mr. Washington and Dr. Schwartz can be found in the Appendix on page 723.]

Mr. MCHUGH. You make a good point, and it has been noted by others that the clock is ticking. And although an extension of that is not provided in the President's budget, it is certainly something we are going to have to take a look at very carefully.

I will yield to Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman.

Mr. Washington, Dr. Schwartz, and Mr. Butler and Ms. Stanish, I have your written statements and appreciate your contributions. They are very specific and thorough.

I just have one question, Dr. Buck. You heard the discussion today I think—I don't know. You were here the whole time. But as I recall, Congress asked you to participate in this study. Was it 1999? When was the legislation?

Dr. BUCK. The funding and the standing up the committee occurred in 1999.

Dr. SNYDER. And then in 1999 and 2000 did the work, and then finished up early 2001, and then the report formally came out in July of 2001.

Dr. BUCK. That is correct, sir.

Dr. SNYDER. And then we had September 11th occur of that year, and that is when things got bogged down. But it has been now almost three years since the report came out.

What has been your involvement with the different services or with the Pentagon, military health services since that time or with your people on your committee? Has there been an ongoing intense relationship, or what has been the involvement?

Dr. BUCK. I wouldn't describe it as an intense relationship. I did work, as I indicated, on the disclosure statement for a period of months as the interim director of the safety program based at Armed Forces Institute of Pathology (AFIP). And in that capacity, I did have some contact, ongoing contact, with people in health affairs and in various offices of health affairs. But it was not specifically focused on the content of this report.

Also, I have had, just because Washington, I guess, is the town it is, some ongoing but very intermittent updates of sorts which have suggested to me that a serious look was being given to the report and yet confirmed my view, as I have tried to convey in the statement, that these are huge areas of importance and are very complex, as was certainly, I think, emphasized this morning earlier, and will require ongoing work.

Dr. SNYDER. I think, in your written statement, you don't use the same language, but the phrase is similar to our surgeon general: It is a journey, not a destination, in terms of quality.

Dr. BUCK. Exactly.

Dr. SNYDER. Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentleman.

The gentleman from North Carolina.

Mr. HAYES. Thank you again, Mr. Chairman.

And Nurse Schwartz—and I use that title with all respect since nurses are closer to the patient in many instances. No offense to the docs.

Back to my question about the mom with the child with the croup. How are we specifically or can you add anything to this discussion about how we are going to get more access for her to TRICARE?

And then, specifically, we have deployed spouses or we have spouses whose husbands and wives are deployed, and they have never used TRICARE before. And now it becomes somewhat of a challenge and an opportunity to educate them as to how to do that. If you would address both of those issues from your perspective, it would be very helpful.

And Ms. Stanish, you, too.

Dr. SCHWARTZ. Well, first of all, if a baby is in an acute croup situation, you could go to any emergency room and I am sure VA physicians are capable to give pediatric care, but that wouldn't be my first choice for a pediatric emergency, hopefully. Because in an emergency, a TRICARE patient can go to any hospital whatsoever.

Mr. HAYES. Right. This is more of a—

Dr. SCHWARTZ. Yes. But, I mean, I just wanted to clarify that. I am not being disparaging of the VA, but that just—that came up in the President's Task Force literature, anyway.

The problem with access for our guard and reserve families, there are two issues. Number one, understanding the benefit, which is a challenge. And that is going to fall upon TRICARE Management Activity to work through the managed care support contractors who will then be tasked to then educate the beneficiaries.

And one of the things we did, and we are most appreciative for last year's initiatives to address the TRICARE Standard access issues, is to educate, get out there and educate the family members, get out there and educate the doctors.

So hopefully, if what was done in last year's National Defense Authorization Act is done effectively, then the answer to your question will be, it will be resolved, because beneficiaries will be contacted, physicians will be, quote, "encouraged to be standard providers," to get more doctors out there into what you are calling the white spaces, the places where the guardsmen and reservists—we are having problems for retirees out there as well. The argument you made for the reservists can be made the same for the retirees.

So we are hoping that the report—DOD is supposed to give a report to Congress on the 31st of March on how they are going to implement Sections 723 and 724. So if that is done effectively, it will apply to all beneficiaries, not just to the guardsmen, and the reservists as well.

But I am very empathetic to guardsmen and reservist family members. It is a stressful time. You are not used to being a military spouse. Your husband or wife is gone, and now you have to deal with this program, and it is a very complicated program. So I look to TriCare Management Activity (TMA) for their leadership, and I look to the managed care support contractors to deliver the message. And I hope I answered your question.

Mr. HAYES. Very helpful.

Ms. STANISH. It boils down to communication, it does, both to the beneficiary and the provider. I think some of the onus also falls on the services to educate through the reserve unit directly, "These are your benefits, please bring them home and give the information



to your wife," prior to any idea of being activated. It is a two-pronged ordeal.

My father is a reservist. I know that, growing up, not once did we ever hear anything about CHAMPUS. And I am sure he had information, but it needs to be stressed that it has to be brought home. It needs to come from TRICARE as well as the services directly.

Mr. HAYES. Anyone else?

Thank you, Mr. Chairman.

Mr. MCHUGH. Thank the gentleman.

The gentleman from Tennessee, Mr. Cooper.

Mr. COOPER. I thought Admiral Cowan made an excellent point in the previous panel when he pointed out that the military VA system is treating someone who is 60 years old, chances are they have been treating that same person since they were about 20 years old, 40 years of health care.

And my conclusion, hearing testimony like that, is we probably have been underinvesting in our troops relative to some of our weapons systems. Because I know all of us who fly regularly on C130 airplanes, that is a plane that was designed before I was born, perfectly maintained. It is still the war horse in Iraq and other theaters.

And somehow, we don't view our people with the same care and diligence. Because if you just think of 20, 30 years of Physical Training (PT) requirements, that is an ability to shape behavior that we simply do not have in the private sector. So obesity and other endemic social problems in our society should not be as prevalent in our military and our retirees as perhaps they are.

So I would love for us to be ambitious enough so that we would have a health care system where we would see 40 years of opportunities to serve our troops so they could live longer, happier, better, instead of perhaps 40 years of lost opportunities.

And we all regret the decision years ago when cigarette smoking was prevalent, to foist them on our troops, addict the population. And you can't blame folks for that because that was society at the time.

But there are so many things we know now that we are simply not offering to our troops that could help them and their families. And that is why I would love to see our ambition be to have a better system. So, join the Army, live longer, unless you are shot in combat or something.

But the potential seems to be there. And that is one reason I appreciate all of your efforts but, in particular, Dr. Buck's study.

I am sorry it was overlooked for a time. Because to me, your central message is jointness, and that should be very popular with this Pentagon, because health care should apply to all of our troops, and quality health care should be available.

If we have to centralize certain rare operations, let us do that. Fly our troops to the best place, whether it is the Mayo Clinic or whatever, so they get the top-quality care instead of the parochialism we often see, not only in our services but with each provider.

And certainly, that plagues the private sector. Every good hard doctor in America wants his own heart, you know, operation at his own heart hospital, whether they are any good at it or not.



And we have an opportunity for efficiency and centralization and quality that simply exists nowhere else. So I would love to see that happen.

I don't want to emphasize the negative again, but Dr. Buck and I had the chance to talk several months ago, and pointed out, one of the more disturbing findings as he did his report was that—I think there was one commanding officer that had stuffed medical records in a closet somewhere. And you see things like that and you think an inexcusable lapse.

And I hope it is a rare incident. But things like that should be eminently controlled but, you know, probably go unreported, undocumented. And then meanwhile, probably 600 Congressman around the country have to piece together medical records for their veterans that are simply not available.

So hopefully, we can work together to solve these problems. But I appreciate the contributions of everyone on this panel. Any comments would be welcomed.

Mr. WASHINGTON. I would just like to say that I had the opportunity to serve on that distinguished panel with Dr. Buck, so I sympathize and understand everything that he is here to represent and, basically, the report itself. So, again, I served on the panel with Dr. Buck as well, too, sir.

Mr. COOPER. Neither of you gentlemen would want to disclose the facility where the 600 missing records were found, would you? We don't want that degree of accountability, do we?

Dr. BUCK. We do, though, again, on behalf of the panel, those, almost all I have been able to keep track of, do appreciate very much your interest and continued oversight.

Mr. COOPER. Thank the Chairman.

Mr. McHUGH. Thank the gentleman.

Dr. Gingrey.

Dr. GINGREY. Thank you, Mr. Chairman.

And I thank you, ladies and gentlemen, for taking the time to come visit with us today and discuss these issues. I believe they are vitally important.

And during the previous panel, I had asked the admiral, the generals to outline some specific programs that didn't receive funding this year. And maybe each one of you could elaborate on the testimony you have already given and share some specific ideas about where the military health system could stand more attention, particularly with regard to the reserves and guard component and this readiness issue.

Dr. SCHWARTZ. We sound like a broken record, but it would be education. Reaching out to beneficiaries.

I know there is a plan now—with the new TRICARE contracts, every beneficiary has to get a mailing, every household will get a mailing. And within that information, they are going to try to include the TRICARE Standard education piece. But that is one check in the box for 2004.

Every year—I am in Blue Cross/Blue Shield through my employer-sponsored insurance, with TRICARE as second payer. Every year I get a booklet from Blue Cross/Blue Shield, just a small booklet. I would like to see, every year, just like the prime beneficiaries get information, the TRICARE Standard beneficiaries get informa-

tion as well that gives them phone numbers of where to go for help, a basic outline of the program and how it works for them.

Dr. GINGREY. So you get nothing from TRICARE?

Dr. SCHWARTZ. I have been an active duty—I have been a spouse for 18 years, and I have never gotten one piece of information from TRICARE, because I have always been a Standard beneficiary. The only things I ever got was through the spouse club when they were passing out TRICARE books and things like that. Now, my husband gets information periodically because he is in Prime.

Dr. GINGREY. Others.

Mr. WASHINGTON. I would say the provider reimbursement problem. I think this is one of the biggest problems we have with our Standard beneficiaries, is that no one wants to accept a TRICARE patient for the simple fact because of the low reimbursement rate. And I think we seriously need to look into that area and try and at least bring the reimbursement rate up to a much more comfortable level to where a provider would be interested in becoming a TRICARE network provider to service a beneficiary. But I think we really and truly need to look into the area of provider reimbursement.

Dr. GINGREY. Dr. Buck.

Dr. BUCK. Yes, sir. I would echo what Mr. Washington has just said, because in my own personal experience talking with leaders of civilian community hospitals in position to establish some relationship of support with military hospitals and other clinics in their region, the issue of reimbursement rates has come up repeatedly.

And it has also been suggested to me—I can't give you dollar figures—but that the reimbursement rates that are offered through the TRICARE mechanism are, in fact, well below Medicare reimbursement rates. So at least, that is what I have been told.

If I may, I would like to respond to your question, which I appreciate a great deal also, in one other area. It is to do with, as you asked, you know, if you—I guess, if you had new money or something, what would you consider? And the reason I picked the two examples that I did from the prepared statement offered was to suggest that the well-designed demo is an opportunity that might benefit if funds were to become available.

Good demos—I am sure you realize, but good demos cost money. And often, it is seen by people of action as, you know, not another study, their hands go up, and that kind of thing. But a good demo is valuable, and I think it is worth presenting to you in this context as opposed to the other item which I cited, which, frankly, in most ways to me is a reorganization of current resources, would not involve much money, in fact, might actually produce savings.

Thank you.

Dr. GINGREY. Thank you, Dr. Buck.

Mr. BUTLER. One idea that hasn't come up today, and this is—you asked about the perfect world and if we had funding, and I don't think this would cost a lot of money, but it is permanent dependent ID cards for those over 65. With TRICARE for Life, of course, you need to take out Part B.

You know, we have a small core of dependents, maybe widows, who are at nursing homes and other places, and right now the requirement is for them to have to renew their ID card every four

years. And because of mobility problems and things like this, it is very difficult for them to do that. So we would like to recommend that ID cards be made permanent for those over age 65.

Dr. GINGREY. Good point.

And Ms. Stanish.

Ms. STANISH. Back to education. Provider education and recruitment. There have been a lot of war stories back from the CHAMPUS era about just how bad reimbursement rates are, but also just the administrative hassles and low or slow payments.

And there have been numerous improvements in the TRICARE Standard program on the provider side, but a lot of providers don't know about it. And it is not—it shouldn't be up to a beneficiary who lives in a catchment area, who has to find a specialist, to go to the specialist who is not taking TRICARE and try to recruit him in so that he can get his care.

And I have had to work through this program, this policy of bringing in a specialist into the TRICARE system on a couple of occasions in the two years that I have been here, and it seems to me that it is not up to me or my beneficiary, that it is up to the Department of Defense to make sure that at least the education is out there.

They have said that the TRICARE Standard program has improved. Let them go out there and show the providers. And that would help a lot. Yes, low reimbursement rates, but there are enough providers out there that would overlook that to help the—you know, for patriotic duty. And I think that is—education and recruitment—is important.

Dr. GINGREY. Thank you.

And thank you, Mr. Chairman.

Mr. MCHUGH. Thank the gentleman.

Just to comment on one of the things that Mr. Butler said, that over-65 card is a great idea. We are looking at that very carefully so we hope to help out, and we certainly appreciate your organization's leadership on that.

It just came to my attention, you went to Oswego?

Ms. STANISH. Yes.

Mr. MCHUGH. Go Lakers. I won't ask you if you voted for me, but it is in my district.

As I mentioned in my opening comments and as we will hear far more about on our third panel, we are in a transition now on the TRICARE contracts, and it is an enormous change. And I have had a chance to meet with some of the folks from the three new regions, and it is, so far so good. Everybody is working hard and hopeful this can come off smoothly.

But I wonder if you had any general comments or specific concerns on this as it goes forward. Anything we ought to be keeping in mind or perhaps the next panel ought to have the opportunity to hear you say?

Dr. SCHWARTZ. Well, Mr. Chairman, if they hadn't named the acting TriCare Regional Officer (TRO) for the North Region, I would have dwelt more on that. And we are really pleased that they at least put General Adams in place. Because we were very concerned.



You know, colonels are good people, but colonels aren't the ultimate leaders. And the train was leaving the station, as I said earlier about some other things, and at the end of the day, that is the person that has the ultimate responsibility and the governance for the region.

So we are very pleased, but we are still concerned that the South doesn't have a TRO either. And that decision has to be made quickly to help those folks in that region make their transition, because when that leader comes in, they are still going to want to do it their way. That is what happens, ultimately. So I hope that they look to nominating the person for the South as well.

Mr. MCHUGH. And, acting, as I said, no disrespect.

Dr. SCHWARTZ. No. General Adams is fantastic.

Mr. MCHUGH. Absolutely. And came with rave reviews.

Dr. SCHWARTZ. She is excellent.

Mr. MCHUGH. Make it permanent as far as I am concerned. But that is my own opinion. But it is really important, I think, to have a full-time acting.

Dr. SCHWARTZ. Absolutely. So we appreciate that, two down and one to go. Well, one and a half down to go.

Mr. MCHUGH. Well, we are going in the right direction.

Mr. Washington.

Mr. WASHINGTON. The only concern I would have would be continuity of care and a smooth transition. And from what I can see and understand, that the three contractors are working well together to try to bring about a smooth and seamless transition. And I would like to applaud them for their teamwork effort in working together to bring us one uniform contract across the board instead of different policies and different regions.

But I am glad to see that they are working as a team, and I hope that when the new contract is stood up, that we do have a smooth transition and no interruption in the beneficiary service. So I applaud them for that.

Mr. MCHUGH. I agree. Those contractors that will no longer be participating, by and large have done a good job trying to be of assistance in that transition. So I am glad to hear that you feel that way as well.

I don't know, Dr. Buck, if you had any thoughts on that, sir?

Dr. BUCK. No.

Mr. MCHUGH. Mr. Butler.

Mr. BUTLER. We had mentioned it in our testimony, but there are 600 current resource-sharing agreements, and we would like to ensure that those—they end with the current contracts. So we would like to ensure that those 600 slots, those 600 physicians, those 600 people that provide health care to our beneficiaries, that that goes smoothly as well when we transition to the new contracts.

Mr. MCHUGH. Ms. Stanish.

Ms. STANISH. One thing that we haven't mentioned is the appointment setting. When they decided—they, being the Department of Defense—created the new TRICARE program, they carved out the appointment-setting portion and took that out of the managed care support contractor's hands. And at this moment, I don't think we have a contract yet in place.



And at the end of the day, for that mother who has a croupy child who is crying, the number one thing in her mind is a phone number to call to be able to get in to see a doctor. And we really would like to be able to have something in place before the contracts go live. That is right around the corner. That is June.

Mr. MCHUGH. It is quick. Close. You are absolutely right.

Dr. Snyder.

Dr. SNYDER. Thank you all for being here. Appreciate you.

Mr. HAYES. Mr. Chairman, of interest on the reimbursement. My nurse down the street brought me a form that came back from somewhere in the Government that said, "Your reimbursement may be affected by the budget problems in Washington." that was the last line. I don't know where in the world that came from.

Mr. MCHUGH. You live on a busy little street. When I was down visiting you, you didn't take me to your home.

Dr. SNYDER. Mr. Hayes and I are going to relate that specifically to the Chairman of the Total Force Subcommittee, the problems they are having.

Mr. HAYES. Thank you, Mr. McHugh.

Dr. Gingrey, I don't know if you have—

Dr. GINGREY. No.

Mr. MCHUGH. Well, again, thank you all. And we are going to have—I am going to have and I am sure the other members are as well, a number of written questions that we would appreciate your assistance in getting written responses so that we can get those as part of the record.

For a personal note, I deeply appreciate your individual and your organizations' leadership and concern for those who rely upon you to carry the call forward and to help us better understand the challenges and the need and your partnership in this issue. And God bless you for that.

Dr. Buck, thank you so much. A resurrection of sorts—in no small part due to Mr. Cooper and others—of a very important report. And I was pleased to have the distinguished ranking member get those 10 points that were in your report into the record, and we are going to continue to try to focus on that. So thank you for your service as well.

So, with that—I am going to recommend, and I hope nobody will object, that between this panel and the next, we take about a 10-minute break. So with that, thank you all so much.

[Recess.]

Mr. MCHUGH. If we could have everybody find their places. I am guessing that is 10 minutes, or as close as we are going to get.

As I mentioned to the second panel as I thanked them—and meant it sincerely—for their patience, the third panel is even more deserving in that regard. And, gentlemen, we do appreciate your sticking with us, and we look forward your comments.

Before I introduce this panel, I do want to mention that we received an additional statement from the General Accounting Office, and it deals with the status of the fiscal year 2004 requirements for reservists benefits and monitoring beneficiaries access to care. And without objection, I would like to have that GAO statement entered into the hearing record in its entirety. Without objection, so ordered.

[The information referred to can be found in the Appendix on page 817.]

Mr. McHUGH. Our next panel is comprised of three individuals, three gentlemen, no stranger to this subcommittee, no stranger to the field in which we are endeavoring here today. And let me introduce them. And they are seated as I have them here, so that is a good start.

Now, David McIntyre, Jr., President and CEO of TriWest Healthcare Alliance.

Welcome.

James Woys, who is President of Health Net Federal Services.

Welcome.

And David Baker, President and CEO of Humana Military Healthcare Services.

Gentlemen, welcome. You know the drill. You have been here before. It is good to see you again.

David McIntyre, you are on, sir.

#### **STATEMENT OF DAVID J. MCINTYRE, JR., PRESIDENT AND CEO, TRIWEST HEALTHCARE ALLIANCE**

Mr. MCINTYRE. Good afternoon, Mr. Chairman, Dr. Snyder, and distinguished members of the subcommittee. It is a pleasure again to appear before you.

I would like to begin by saying that everyone associated with TriWest, from our Blue Cross/Blue Shield and University Hospital System owners to our staff and subcontractors, consider it a high honor to be part of the team serving the health care needs of those who wear the cloth of our Nation in defense of our freedom, their families and those who have gone before them. We are proud of their accomplishments. We are humbled by their sacrifices, and we are grateful to be part of the team entrusted to serve their health care needs.

I also personally consider it a great privilege to be able to collaborate with the two gentlemen that are on the panel with me, Jim Woys and David Baker. Each of these guys and their companies are first rate.

Individually, I believe that we are going to deliver on the promise of TRICARE in our own regions, but together, I think that we are going to succeed in supporting the entire TRICARE team in delivering on this program's promise.

I would also like to associate myself with the remarks that were made previously about the services' surgeon generals. We have a great group of people with which to work and a great team in this program.

And we are going to miss General Peake and Admiral Cowan and appreciate the sacrifices that they have made and the contributions that they have made to the success of this program. And I have confidence that those two services will find equally capable people to replace them.

As we prepare to go live with the new set of contracts, we have a great opportunity to delight our customers and enhance the efficiency and effectiveness of the program on which so many rely and on which the taxpayers have invested so much.

As with any new opportunity, however, comes some challenges. From my personal vantage point, I see three critical imperatives to success: Effective Coalition building, accomplishing a seamless transition and sufficient funding and flexibility.

This program, particularly in the new paradigm, cannot be effectively managed at the local level without the construction of an effective and focused coalition. It is for that reason that I so strongly supported the creation of the regional director role. This has been reinforced over the past several months as I have worked closely with the West Region's director, Rear Admiral Jim Johnson, and I thank Vice Admiral Cowan for stepping out so smartly and so quickly to assign him to this role.

As a result of Jim's leadership, not only is the coalition being formed but we have already developed the framework for a joint strategic plan. We and our senior teams meet once a month to review status and discuss critical issues and shortly will begin to gather the members of the newly created Regional Advisory Board, which is a forum for all of the major stakeholders to discuss and work on critical issues and strategies for the region's success. This group is also going to include the VA, which is going to be important to the work that we are going to continue to proffer in the West Region.

We in the West believe that the prime directive for the early days of the next generation of TRICARE is accomplishing a seamless transition. This requires a plan, focus and adaptability.

We in the West have a clear plan. It is a compilation of 47 plans that cover every component critical to success. I am pleased to say, sitting here this afternoon, that we are on track, we have focus and that all of the operational stakeholders are reviewing the same information through our extensive balance scorecard that is available through the Internet. It covers the status of implementation of the plans across the enterprise and is updated on a regular basis.

Having said all that, however, we are going to encounter areas where contingencies are going to be required. Thus, we also have a set of contingency plans that grow as we find areas of risk.

From the vantage point of myself and my team at TriWest, the collective operational risks that we face at this point are four: One, the inability of the services to effectively transfer the current resource-sharing workload; two, the lack of availability of promised systems or the population of those systems with the necessary data; three, the lack of ability to implement the carveout appointing contracts on time; and, four, the sufficiency of funding and flexibility.

I am pleased to report, however, that there is a lot of focus on these four areas of risk, but nonetheless, they are areas of risk.

While all of us would be more than enough busy if we just had to focus on the task at hand, we also have the responsibility to support the services as they are engaged in conflict across the world, the re-engineering of the system to make it more efficient and effective and the implementation of the new benefits. By anyone's standard and measure, this is a full plate.

All this takes me to the third imperative, the sufficiency of funding and flexibility. As many of you have said today, we find ourselves in uncharted water with a lot of variables that are simul-



taneously at play. Cost estimating for programs of this size and complexity are complicated under the most normal of circumstances, yet these are not such times. And we are not just dealing with cost; we are also dealing with spend. And it is really important to understand the difference.

I am pleased that Dr. Winkenwerder and his team are focused on this issue as full funding of the DHP is critical to delivering on the promise.

As we have heard today, this topic is also foremost on your minds in order to make sure that you have sufficient information from which to weigh policy options as well as knowing where you need to help if there are shortfalls.

One of the critical pieces of this is tearing down the fence. If action is not taken to tear down the artificial fence—that was created through the appropriations process—to effective fiscal management in favor of flexibility and transparency regarding how resources are being expended, I believe we will witness a fiscal and access-to-care crisis before the close of this fiscal year.

Again, it is a pleasure to be with you today. Eight years ago, as the founder and creator of TriWest, we started a journey to open up a new contract in the 16 States of the Central Region. I sit here today prepared to engage in the successful implementation of Washington and Oregon starting on June 1; Alaska, California and Hawaii starting on July 1; and the convention of the 16 State Central Region on October 1. I believe we are going to be successful, and that is because of the common and collective focus that we have with the entire team that is engaged in this effort.

As I said earlier, it is a real honor to have the opportunity to serve this population. From my perspective, there is no population more worthy of the best that the health care delivery system has to offer than those who wear the uniform of the United States, their families and those who have preceded them in service. Thank you.

[The prepared statement of Mr. McIntyre can be found in the Appendix on page 767.]

Mr. MCHUGH. Thank you. And thank you for all that you do for all of those important men and women in uniform. We deeply appreciate that and, as always, appreciate your being here.

Mr. James Woys.

#### **STATEMENT OF JAMES E. WOYS, PRESIDENT, HEALTH NET FEDERAL SERVICES, INC.**

Mr. WOYS. Good afternoon, Mr. Chairman, Dr. Snyder, distinguished members of the subcommittee. Thank you for the opportunity to address you on the status of the TRICARE program. It is always an honor to be invited back to share with you my company's perspective.

My company, Health Net Federal Services, serves as the current managed-care support contractor for five TRICARE regions and the State of Alaska, covering approximately 2.5 million TRICARE beneficiaries.

Last year, Health Net was awarded the newly-formed North TRICARE contract, which is comprised of the current Region One



and Regions Two and Five, providing health care services to approximately 2.7 million TRICARE beneficiaries.

Before I begin, I would like to personally thank Mr. Chairman and Dr. Snyder and all of the distinguished members of the subcommittee on behalf of all of the beneficiaries who I serve and all of the beneficiaries who I will serve for your efforts to continuously improve the TRICARE program and for fighting to keep the promise for our retirees and for supporting our troops abroad.

The past seven months and the next seven months have been and will be the most challenging months my company has ever experienced. As a result of the north award last year, we are encountering substantial transformational changes. I try to explain this transformation as the wind-down and closing of a \$2 billion-a-year business and the simultaneous startup of a \$2 billion-a-year business in less than a one-year time span.

In addition, while we are going through this transformation, we are bound to maintaining a high level of operational performance in our existing contracts.

As I said, we are committed to maintaining exceptional performance throughout the term of our existing contracts. The current operational performance of my contracts and the entire TRICARE program has never been better, as mentioned by Dr. Winkenwerder this morning.

As the system continues to mature and stabilize, the success of the TRICARE program increases. Within the scope of my three current TRICARE contracts during 2003, we have all-time levels, high levels, of beneficiary satisfaction demonstrated by the almost 1 million members who enrolled in TRICARE Prime.

We had over 7.2 million customer contacts via phone or face-to-face, well within contact standards, achieving first-contact resolution substantially north of 95 percent.

We have industry-best claims-processing performance. In our contracts, we process almost 27 million claims, 99.98 percent of those processed within 30 days.

We have optimized the access to military facilities, we recaptured over 3.5 million outpatient visits and over 65,000 hospital missions in the past 3 years through the resource-sharing program.

And we have maintained a comprehensive civilian network of providers that meets the needs of our beneficiaries.

As we phase out of our existing contracts, we are focused on two major areas in addition to maintaining the high level of operational performance: First, an unwavering collaboration and partnering with both TriWest and Humana to ensure their success and, second, a laser focus on ensuring a seamless transition for our beneficiaries, our providers, and our associates.

This collaboration and focus will ensure that all of our valued beneficiaries will have continued access to high-quality health care, day one, and that those beneficiaries who are in need of special help or course of treatment will not fall between the cracks.

As we turn our attention to the implementation activities in the new North Region, we have focused our efforts in the following major areas: One, make sure that we are, day one, ready; second, that we have minimal disruption to our new customers; and third,

that we continue building strong collaborative relationships with all of the stakeholders.

I believe the most important facet to a successful transition, besides a lot of hard work and attention to detail, is building strong collaborative and partnering relationships with all key parties.

Everyone involved in a very successful program understands it takes teamwork, collaboration and general partnerships to achieve excellence. It is no different in our current efforts leading up to the transition of the contracts this summer. There must be participation and cooperation among all stakeholders at all levels in order to achieve this success.

I want to take this opportunity to express my appreciation for the dedicated efforts of the (TMA) Administration, from Dr. Winkenwerder to the surgeon generals, General Peake, Admiral Cowan, and General Taylor; to Admiral Mayo and Captain Barry Cohen of the TRICARE Regional North Office; Captain Graham Innins and Mr. Don Calleel of the TMA award office; and the scores of personnel in regional and local government operations who are working closely with us to ensure a successful effort.

Also, a special debt of gratitude to the beneficiary groups who serve as a true sounding board for our activities and play such a vital role in the communication to hundreds of thousands of our beneficiaries.

I also want to express my particular appreciation for the 1,800 current associates of my company who are undergoing a significant period of change from their current work to a new future in the North Region.

Finally, I want to express a special appreciation to my colleagues here today, Mr. Dave McIntyre, Mr. Dave Baker, as well as Mr. Nelson of Sierra. They have and their teams have truly stepped up together with my team in an unprecedented manner to collaborate closely in the transition activities to ensure that we deliver a seamless transition for our beneficiaries. I would like to call them our great American heroes.

In summary, our current operational performances are doing well. Our transition efforts both in and out are on schedule, and a collaboration in partnering across the system by all stakeholders could not be better. We still have a lot of work to do, but we are all working together to ensure that this evolution of the TRICARE program is done with a focus on our valued beneficiaries with little to no disruption to their ability to access the highest quality health care that they deserve.

Thank you, Mr. Chairman. I will be happy to answer any questions.

Mr. MCHUGH. Thank you very much. I appreciate your comments, as always.

[The prepared statement of Mr. Woys can be found in the Appendix on page 780.]

Mr. MCHUGH. Mr. Baker, welcome sir. We look forward to your comments.

**STATEMENT OF DAVID J. BAKER, PRESIDENT AND CEO,  
HUMANA MILITARY HEALTHCARE SERVICES**

Mr. BAKER. Thank you, Mr. Chairman, Dr. Snyder, distinguished members of the subcommittee.

On behalf of Humana Military Healthcare Services, I am honored to be here today to update you on our support of the military community through TRICARE. As our country wages its war on terrorism, our company's thoughts and prayers are with our troops and their families. We are extremely grateful for their sacrifices on our behalf.

As President and CEO of Humana Military Healthcare Services and as a retired military officer, I want to thank the committee for its ongoing support of the Defense Health Program. Your actions have created a health care system that is second to none, and your support is very much appreciated by the beneficiaries we jointly serve.

Humana Military Healthcare Services is a wholly-owned subsidiary of Humana Incorporated, one of the Nation's largest health benefit companies. Formed in 1993, we have delivered TRICARE services since 1996. Today, we are responsible for two managed care contracts; and we are the largest of the four current TRICARE contractors. Going forward, our company has been selected to implement TRICARE in the new South Region, and we were recently chosen to administer a limited TRICARE program in Puerto Rico.

Now, as a life-long military beneficiary, I can personally attest that today's TRICARE is serving the military community better than at any time in our history. I am indeed honored to be a contributing partner in making today's TRICARE such a success.

In its quest for continuous improvement, this year the Department elected to make significant changes to TRICARE; and, as you have heard from my colleagues, these changes are not without risk. In my written statement I have provided some detail on the following risks as I see them.

First, the transition from twelve TRICARE regions to three means that nearly two-thirds of the country will change contractors this year.

At the same time, several programs, as you have heard this morning, including retail pharmacy, resources sharing, military appointment making, claim processing for TRICARE-for-Life beneficiaries are being carved out of the basic contracts.

Third, a lot of new government systems, processes and procedures are being implemented and yet unprecedented new contractor performance standards are being established.

Finally, the new program in Puerto Rico is being implemented in an extremely short 60-day period driven by the recent closure of military facilities.

Implementation of each of these initiatives involves a degree of risk, but by working together with the Congress, the Department, the services, the advocacy groups and the other TRICARE contractors, as we have always done, I am optimistic we will be successful.

While I am pleased to be a part of the new generation, I have provided several recommendations for your consideration, many you have already heard this morning.



First and foremost, the Congress must continue to fully fund the Defense Health Program. This is essential to meeting both readiness and peacetime service needs.

I also recommend that Congress refrain from further fencing of the Health Program (HP) dollars.

Third, I urge full implementation of the expanded program of TRICARE eligibility for reserve and guard personnel authorized by the Congress last year.

Finally, at Humana, we hope to advance new cutting-edge industry concepts to further improve the TRICARE program in a manner that allows beneficiaries to more actively manage their own health care needs. I urge your consideration and support.

In conclusion, Mr. Chairman, let me thank you for the opportunity to be here today and for the chance to serve America's military community. Notwithstanding the risks, I am confident in our ability to provide outstanding TRICARE service during this period of profound change.

Thank you again, Mr. Chairman. I will be happy to respond to your questions.

Mr. McHUGH. Thank you, Mr. Baker.

[The prepared statement of Mr. Baker can be found in the Appendix on page 801.]

Mr. McHUGH. Again, to all three of you, I appreciate your being here.

As you are well aware, you are the third of three very distinguished panels. I think in each of the capacities that the witnesses served I admire all of them, and I certainly admire all three of you, but I am not sure I envy the three of you at this moment.

As I indicated, you have an enormous challenge in front of you and you are a part—a critical part but just part of that challenge of making it work. But you are the ones that are going to hear about it first, I suspect, if things do not work out the way we all hope they do; and as you are laboring very hard to ensure they do.

It is kind of like a golf swing—and I am saying that as an absolutely horrendous golfer. There are so many things that can go wrong in that golf swing and just one little thing can make the shot go God knows where.

This is so large and there are so many things that are potential for taking us off track, it is almost unfathomable. I was wondering, given the opportunity for those of us who do not have your unique and professional perspective, can kind of watch, can you name one or two things that you are most concerned about of those many things that may go wrong and if they do will have significant impact?

As a subset of that, what would you—and David McIntyre had mentioned the regional administrators and directors. We have talked about those a couple of times today. It was one example of something that the government needs to be doing, the Department needs to be doing. Any of you endorse that or do you have additional thoughts as to what do you think maybe the Department could be doing to maybe step out a little bit more smartly, if that is a sensible phrase?

I will be happy to hear from whoever chooses to go first, as they are all writing.



Mr. WOYS. Let me first talk about the challenges that we all worry about, I think, as we turn these contracts live and give them to each other and move our business around.

I have less concern about the collaboration I have with these two gentlemen, that we are working closely together, that we have teams that meet every week together both on the phase-in and phase-out.

Mr. Baker and I have some reciprocity that is really important. I am giving him Region six, and he is giving me Regions two and five. We have a lot of common interest, and that goes well in those activities. We are working very close together to try to ensure that the associates we all have that are departing our current regions have opportunities to work with the follow-on contractor, which maintains a lot of stability in the program when that occurs.

The things—and you heard some of those today—that I think are challenges that everybody is working hard toward but if they miss a beat, we could cause problems—the TRICARE program has now been carved up, not only a manager's contract but a multitude of carve-out contracts; and they are all being implemented kind of simultaneously.

When we turn the switch on, everybody has to be operating at the same level. That is not only what we do in the managed care port side, but there is an appointing function. There is a research-sharing activity that needs to occur, the claims processing for the over 65 population that needs to occur at the same time as well as my customer on the direct care side needs to prepare for all those things that he used to buy from me that he needs to staff up for. There is some direct utilization management activities they do.

So all parties have to work together to make sure that we are providing the same level of service we did on the last day of our contracts as we did on the first day so there is a seamless transition. So there is a multitude of variables that have to come off at the same time.

The good part is everybody is aware of those variables. There is no hidden variables there. Our customers are working toward resolution of all of those.

You heard Mr. Baker and Mr. McIntyre say there are multiple systems that we are reliant upon as well in order to turn this thing live. There is referral and authorization systems that are occurring within the direct care system and some other software that has to happen. Those type of things, again, all have to happen at the same time, and any one of those in the breakdown makes us a little nervous. So we all have to plan contingencies and make sure if something happens we are able to cover it.

The focus for us, and I am sure it is true for all three of us, is we need to make sure that no beneficiary is left behind, that we do not allow any beneficiary to fall through the cracks, that everyone has access to quality health care on the last day of the contract as well as the first day of the contract. We can work out all the contingency stuff and work behind the scenes, but we need to make this as seamless as possible for our beneficiaries, especially those who are in a course of treatment or need special help. Those are the ones that end up on your desk if we fail to take care of those people.

So those are my biggest worries, that we have a lot of things going on in parallel and everybody is focussed on that, but those are concerns.

Mr. MCHUGH. A lot of balls in the air, to use a cliché.

Mr. BAKER. I think, if I could jump in, I would echo those comments; and I will share with the committee what I have indicated to our company back in Louisville. Thank goodness we are not first. Because there are a lot of balls in the air here and a lot of interdependencies. I have absolutely no doubt that we will get through them, but simultaneous implementation of multiple changes in this system just is very, very risky, and we need to recognize that at the front end.

Mr. Woys mentioned the new systems and the carve-outs, and that is really where we need to have our laser-like focus. I would share with you, though, that the Department I think has done some good things, some very good things in this regard.

There is upcoming a summit that will involve all of the three of our companies as well as a number of the carve-out companies that will be responsible for new customer service so that we can ensure that the customer hand-offs are handled as smoothly as possible and none of us are surprised in the process. So I really applaud that kind of an effort.

I would also share with you that, on a weekly basis, as I know my colleagues are, we are in touch with the DOD people who are implementing these new systems and processes. So, as Mr. Woys indicated, there are no surprises. Things do not always go according to schedule, but if you know that far enough in advance and can plan for it, then that is a good thing.

I would say that now we are coming down to the end here. When the implementation starts, we cannot delay any further. It is one thing in January and February and March to put things off 30 days when we have not started, but we are going to be starting in June, and we cannot put off that. So it is just very, very critical that we understand all of that and continue to work together, not only the three of us but all of the interested parties.

Mr. MCINTYRE. As the one who has the distinguished privilege of being at the tip of the spear for 30 days on their own, from June 1 to July 1, and having gone through this personally 8 years ago, we know a lot more than we knew then and we have a lot more sophistication today in terms of how we are doing this together. The leadership team in the Department is seasoned. They are focused. They have heard your messages again echoed today. There are no rocks to hide under.

The fact of the matter is we all have to do this together, and there is a lot of lift involved. You know, it is not only moving components parts, but we are reengineering the parts while we are trying to assemble the machine, and that makes it complicated.

I guess I would just say personally that the thing that we need to commit to you is that we will be transparent and we will be proactive in letting you understand where we are facing challenges and what those are, because we are going to have them. Then we need to tell you what we are going to do about them and when they are going to be fixed, and you need to tell us whether it is sufficient. Then you need to keep us honest in the process of making

sure that we have fixed the things that are going to need to be fixed.

I think that the big rocks will successfully move. They are going to be small ones that will create some ripples in the pond.

The thing that I have learned over the last eight years is where you are transparent and you are vulnerable, and you say, look, I have an issue. Here is what I think I will do to fix it. Does this work? Now watch with me and make sure I am doing this right. Most people will give you the space; and I think on our side, on the beneficiary association side, in the Department, out of your offices, we are all trying to do this as best we can.

We need to sensitize the populations that are going to rely on us to the fact that there may be some bumps, but we need to manage them together, and we are certainly committed to that.

I think it requires education, it requires communication, it requires collaboration, and it requires flexibility. I have been very impressed, particularly over the last week as we have confronted some pretty major systems issues, of the level and degree of focus and willingness to look at not only the source of the issue but what we are going to do as contingency plans. So that gives me great hope for where we are headed.

Plans are not flawlessly executed, and that is why you have to be nimble. But it is also why you have got to have good communication and you need to be focused, and I think everyone is focused.

Mr. MCHUGH. Thank you, gentlemen.

You heard Mr. Baker specifically mention some of the thoughts he had with respect to the carve-outs. I know in conversations I have had with our other two distinguished panelists there are concerns that you have about those as well. Would you like to at this point for the record just kind of expand upon those or do you feel it has been stated?

Mr. MCINTYRE. As the one who starts first on June 1, I will start off on that issue.

I think that if people knew yesterday what we now know today, that we will be in conflict and that we would have other things going on taxing the system, I think certain things that were carved out would never have been carved out. I also think that if one studies this and looks backwards they would say perhaps, if they were honest with themselves, that maybe we took the wrong approach and that we did not design greater accountability and keep accountability. We actually solved certain problems by taking a totally different course and that brings with it risk.

The appointing thing is probably the biggest concern to me from a customer perspective. The resource sharing issue concerns me fiscally, and it concerns me with regard to what is going to happen with certain pieces of infrastructure, but I think we will muddle our way through some of that, but there will be some fiscal consequences.

The appointing carve-out I think will end up being a very serious mistake in the long term. The reason for it is that you want less moving parts, not more. You want less actors, not more. What we have done by separating out appointing is we have taken one of the two major customer service complaints—historically, with this sys-



tem, one was claims and the other one was the ability to get an appointing clerk—and we have now run the risk that that function may end up not with the MTF, not with the party that exists to support the MTF as part of the integrated system, but some third party from somewhere else who has no vested interest in the successful outcome of the overall program and does not have a major stake in its outcome.

I think, ultimately, we will look back and reach the conclusion that we either have to redo what we were headed toward doing or that we fix the problem but we wasted a lot of energy in the process. They are working to try and bridge the gap, but we are hearing that they are as much as six months behind, and it is going to be a real serious challenge.

Fortunately, Jim Woys manages the appointing center in the Northwest. I have full confidence that he will be very focused on that as we go forward.

But it is the outgrowth of what is going to happen once these contracts ultimately get awarded six months from now, where they go, because there is no self-interest in those organizations in the full outcome of the system because they are not invested in the same way we all are.

Mr. MCHUGH. Mr. Woys.

Mr. WOYS. Let me echo a little bit with Dave on the appointing side.

One of the major objectives of the contracts that we were just awarded had to do with optimization, the focus of the optimization—really, the focus of optimization and how are we really going to optimize the brick and mortar that exists within the direct care system.

Appointing is such a key component of that activity that you are really trying to make sure you get to the point within the standard, within the facilities and make sure you fill every bed and fill every appointment. If it is carved out, we risk that the person who has got the contract will not have the same objectives that we will have of truly optimizing the facility. We get judged upon that. That is one of the outcomes that is part of this contract that we are supposed to achieve, and that is the optimization and appointing is a big function of that.

I worry that someone else will have a different objective and we do multiple awards, we will have multiple contractors with varying degrees of capabilities, and there are bound to be some that will fail in the process. That will only harm our ability to continue with this optimization objective.

The other one I am probably most concerned about is really resource sharing, probably more for the sake of these two gentlemen than myself.

You heard my testimony. The resource-sharing activity that we do in our current contracts enables about a million and a half visits a year within the facilities and about 25,000 admissions. We have about 3,000 full-time equivalents who just work on my current contracts in the military facilities today. Those people have to be—either they have to transition those same people, put them in the chair—there is a lot of continuity of care there. Some of those physicians may have been sitting at MTF doing that work for the last



8 or 9 years. They have developed relationships with patients. Now we have to carve that, go get someone else to go do that if they cannot keep the same person in place.

There are some restrictions that some of the current research providers that we subcontract with, if they do not win the business they will not allow their physicians or their nurses, because they have noncompete clauses to continue on. That is part of their business activity.

So we are bound to have some disruption there. We are not pushing care off to the civilian sector, because we can probably handle that. I am more concerned about, really, the continuity of the care for the patient. For example, up in Miramar Medical Center, a prime example of a base taken over, the pediatrics clinic there is run completely on resource sharing, from the receptionist to the nurses to the docs. All those people have to go away in theory on the last day of my contract, and someone else has to step in the very next day.

The question is, will that happen? Everybody is working hard on it, and I believe that they are very focused, but those are the risks I worry about, is really the continuity of care for our patients. At the end of the day, I think we can solve that if it gets kicked out. We can find a place to put it in the civilian even though it does cost more money, I believe.

But those are my two big concerns, are appointments and resource sharing.

Mr. MCHUGH. Thank you, gentlemen. I appreciate it.

Dr. Snyder.

I'm sorry, Mr. Baker. Do you want to make another comment?

Mr. BAKER. I did. I would like to echo the comments of the—particularly Mr. Woys, the two areas that are most risky at this point involving the appointing and the resource sharing. The appointing because of its obvious interplay with the beneficiaries on a day-to-day basis. Resources sharing, we heard today about maintaining continuity and that sort of thing, and that is within the walls of the MTF. Most of the comments on continuity earlier involved our networks, but this is right inside of the individual facilities, and I worry about both of those quite a bit.

I worry on the appointing—Jim is right from the standpoint of optimization. I also worry, however, from the standpoint of beneficiary satisfaction. One of the things that the new contracts do is provide incentives for us to ensure high levels of beneficiary satisfaction, and yet many of the processes and programs of the new contract are now going to be with someone else. So I am concerned about that when those appointing—when that first touch point is with someone else and yet I am going to be judged on how well we satisfy. I am very concerned about that.

On the resource sharing thing, I mentioned the continuity. I would I think be remiss if I did not point out that the Department has very recently issued a change called the Clinical Support Agreement Program that I think both of my colleagues are aware of that would allow commanders to very quickly transition agreements that are in place. So I think the issue has been recommended, and we should not go away here thinking that the De-

partment has not done something about it. They have provided commanders a tool.

Now if the commanders have sufficient funding—and that is, I think, one of the reasons why the three of us have addressed that issue in our statement—that is an issue that we cannot really tell at this point, but there is a tool there.

Mr. MCINTYRE. Just so you know, the reason why I did not have resource sharing on the list is because of the change order. I also went out with a personal letter after and put every MTF in the 21-State region on notice we will help them with this issue if they come to us at least 75 days in advance of when we are supposed to start. Because we believe that it is going to take about that much time for us to do the conversion.

That will force a collision over the funding issue if there is a funding challenge with their own folks within their comptroller shops within the services. But it will also ensure that we are going to know and be able to tell you whether there are gaps in where the problems are.

So that is why we feel we are in pretty good shape in that regard and we will have a pretty good warning scheme as to whether there is a problem.

Mr. MCHUGH. Are we within the 75 days?

Mr. MCINTYRE. We are awfully close.

Mr. MCHUGH. Thank you gentlemen. I appreciate it.

Dr. Snyder.

Dr. SNYDER. I think I am like every other human being. When you hear the word "risk" you get kind of jumpy.

Mr. Baker, in your written statement, you have the phrase "extremely high risk," which I appreciate your candor and you talk about the things you are concerned about. If I am a beneficiary currently, say, over the last year, let us suppose I go to boot camp, I have my family there at Parris Island, and then I am transferred to Camp Pendleton. Those are different contractors. What would my family notice or if I was a retiree what currently would I notice? Would I notice anything different?

I am asking, when I get there, am I given a new card and someone saying, by the way, you are lucky you are coming to this region and you left that region? The beneficiaries do not notice much of anything. Is that a fair statement or not?

Mr. WOYS. I think there are more all the time. I think the commands are educating their beneficiaries more and more as they start moving from one location to another during outprocessing or inprocessing. The responsibility for their health care resides with where they came from until they have actually enrolled into the new location. So if we had someone coming from the East Coast to the West Coast, the person who has the responsibility on the East Coast will manage until they officially enroll, get out to the West Coast. Then at that point that contractor would take that responsibility on and they would get new ID cards.

In theory, some things are different from one contractor to another, I think that will be unavoidable, and there is some variability in how we all do our business.

I do think that the portability of our benefit over the years has gotten much better. One, I think the three of us as well as Sierra

have worked closer together in assuring that portability of the benefit is more seamless than it has been in the past.

Dr. SNYDER. I have not had my constituents through the years say—well, they always come up and say, I am with TRICARE. They do not say, I am with TRIWEST or Sierra. They do not say, gee, the worst thing that ever happened to me is when I changed contractors. My impression is that it is all seems to be the same benefit.

Mr. WOYS. There is one standard benefit. We administer that benefit.

I think some of our processes are a little bit different. If you went out and looked, I think people do say we are part of TRICARE because TRICARE is not the contractor. TRICARE is the system.

Dr. SNYDER. Processes for the provider or processes for the beneficiary are different?

Mr. WOYS. Probably on both. Probably there is some variations in how we deal with our providers.

Prime examples of what we have done with Dr. Storygard and our group up there where we have done some of the special processes to eliminate some of the burden on his group. Those are some of the special things we do in some places and might not do in other places because we are more effective on how we manage care.

But that sort of activity should really be blind to the beneficiary. The beneficiary should understand that they have a benefit. Now, where they get that benefit is different depending on where they live, within a catchment area where there is prime coverage, coming from a place where only standard is available. Those things are different across the country, those variations. But the benefit is standardized and with TMA, who tries to make sure that we appropriately deliver that benefit correctly across the board and there are not variations in how we deliver that benefit. That is really key.

Mr. MCINTYRE. Jim has done a good job of explaining the process. I would not encourage you to think about enacting this at this point in time because we all have plenty to do.

But what you probably recognize in this explanation is that we treat beneficiaries when they move as though they changed employers. Long term, that is probably not the right solution.

One of the things we ought to be looking at is a system, from my perspective, long term, several years from now, is to be at a place where we have identified what things would have to be done to allow for the seamless transition of someone from one place to the next, where we really do have no burden to them. Those things are transferred behind the veil, and they do not really have to deal with it, and what we do is we have things populated and ready to go. The new information goes out to them. They do not have to disenroll and reenroll and those type of things. They could certainly elect to opt out of prime if they wanted to do that. There is a variety of things you could do.

I would say forcing that on us now would be really hard, probably not accomplishable. There are systems issues. There are some stability things, but I think, long term, that is a change that needs to be looked at.

Mr. BAKER. I would like to jump in on that as well.



I am the only guy at the table who is a beneficiary. Since my retirement from active duty, I have lived in three TRICARE regions. Now, admittedly, two of them were ones that were managed by my company, so I had some influence, but the truth of the matter is that there was not a great deal of difficulty in transitioning from a Health Net region to a Humana region.

It certainly was not any more complicated than it was for me as a retiree to figure out what the new rules were on drivers' licenses and where you would go to vote, and all of the things that are part of a transition from one duty station to another or one location to another. It really was not all that complex.

Frankly, the real issue is trying to figure out who the network providers were and who were the ones that were recommended and all of that. But you go through the same sort of thing when you move, trying to figure out which are the best stores to shop in and where do you buy furniture and all of that kind of thing.

I think we sell the military short if we assume that making a move is going to create so many problems in this program that they are never going to be able to take care of, but the truth of it is that military people adapt very, very quickly.

Dr. SNYDER. I want to talk about the turnover. Mr. McIntyre and I talked about this earlier in terms of what is your retention of physicians and what percentage of your doctors see new patients. Do you all have that information? What is that?

Mr. MCINTYRE. You asked me this question last week when we were together, and I appreciated the question. I had the heads-up. I did not warn my colleagues because I did not know that this might be lodged to their direction. I had to go back to look for it, so they may have to do the same.

We have in our region—across the last number of years, our turnover has been about 4.5 percent; and that is taking small areas, large areas and the like, taking all providers. The percentage of Primary Care Managers (PCMs) that are accepting new patients in the 16 States that we are currently responsible for is 92 percent, and we monitor that pretty carefully.

Mr. WOYS. In our three contracts we are just under 3 percent annual turnover of our providers. It is pretty low. It has been that way for the last couple years.

Dr. SNYDER. What percent accept new patients?

Mr. WOYS. I do not know. We do have a process where—I can get you that information—where we call out to our providers on a pretty constant basis to ensure that they are taking new patients.

Dr. SNYDER. I would like to have that.

Mr. WOYS. Absolutely.

[The information referred to can be found in the Appendix beginning on page 847.]

Mr. BAKER. In our case, the turnover rate has been about the same, between 3 or 4 percent. I do not have good figures for you on the PCMs that are accepting new patients, and I will get those.

The issue really often is the specialists, though; and that is more difficult, because the acceptance can vary over time. PCMs tend to enroll up to a level and then stop, and unless there is a precipitous drop-off in the number of patient enrolled, they stay closed for a longer period of time. Specialists tend to, it has been our experi-



ence, kind of wax and wane. So that would be a much more difficult figure for, I think, any of us to wrap our arms around.

Dr. SNYDER. Were you all here this morning?

Mr. MCINTYRE. Yes.

Mr. BAKER. Yes.

Dr. SNYDER. I thought you were.

Do you all have any comments about Dr. Buck and the discussions about quality—and part of the mandate or goal is to have comparable quality in the private sector versus the military treatment facility. Do you have any comments about what that means for you all and how you all reach that same level of quality?

Mr. WOYS. Let me comment. I took a look at this before this last night. A little bit of comment about quality.

I think people, when they look at us as managed care support contractors or managed care companies, they lose the focus of all of the stuff we do behind the scenes to ensure quality. Quality is really focus number one for our companies, to make sure we do provide high-quality care for our beneficiaries. We truly believe that quality is cost-effective. So if you deliver quality care, you will eventually have the lowest cost of care, if you put it in the right place at the right time with the right physician.

Things that generate quality—we spend a lot of time, all three of us—requirements in contract, appropriate credentialing of all our network providers and make sure they are credentialed in the specialty they are providing. We do spend a lot of time profiling physicians and hospitals to look at their practice, the patterns. We do that all the way from our bush program all the way to the medical management arena and quality management to make sure our providers do not have aberrant patterns.

We have a very extensive process of identifying potential quality incidences and following up on those incidences with providers and doing sanctions against providers if necessary as far as kicking them out of the network or counseling those providers for those type of activities.

With regard to the new contracts as we move forward, one of the things we heard I think from Dr. Buck is really going back to the Institute of Medicine's report, the 100,000 potential medical errors where people have died, which as you know has generated this Leapfrog group. We have taken that in the new contract and used one of the three intermediaries' areas for that data, a company called Health Share, and we are making that hospital information available to our beneficiaries.

We will also use it as we approve authorizations into facilities and make sure that there is no—for a hospital, for that procedure that we are actually admitting them for, that they are going to have it done, that there is no aberrant historical perspective on whether that hospital is performing well or not with regard to that particular procedure. They may be in a whole bunch of other procedures, but that one may not.

We will not admit or approve an authorization if we find that there is a statistical difference with regard to how that hospital performs with mortality rates, etc.

So we are actually using that information. We put it on the Web. We allow all of our beneficiaries to look at it to help them make informed decisions on where they want to get their care.

We also use the data openly with the hospitals that we contract with to make sure that they understand, and we talk to them about it. This is not something that is a mystery.

So we are trying to find ways to really improve the quality of care with data.

If there is one thing that keeps me up at night and sitting in my chair is have I made decisions or my company has made decisions about bringing hospitals or physicians into our networks primarily just based upon price. Because price is not a determinate of quality. So to the extent that I am referring patients to facilities that have a poorer outcome than other facilities just based upon price without knowledge of data, that is the thing that keeps me up. Has my company really harmed people because of our practices of focusing on price? We are trying to change that focus more on outcomes and quality. It is one that allows me to sleep a little better and morally what we should be doing.

Mr. MCINTYRE. When we started TRIWEST, the idea was to draw off of the quality and service reputation of Blue Cross/Blue Shield plans across the country. So we built a platform that would draw on the nonprofits, and they are our owner. The reason for that was to try and make sure that we were able to leverage the best quality networks in the country.

We have got rigorous credentialing processes. They manage the front end. We review all of it. We have extensive quality programs throughout the company. The reports go directly to our board every quarter as a full board item, and we are inviting regional representatives to join us in our internal processes on the quality side.

We did that in the Central Region. We will be doing it in the West Region, like Jim's area.

We are looking at the kinds of things that we want to make available on the Internet. The Blue Cross/Blue Shield system has been focused in the same type of area, and we are looking at potentially leveraging that information and make it available as Health Net is doing.

Mr. BAKER. I think we are all pretty close on this one. Though I must say that Mr. Woys' idea of posting information is one that I am not personally aware of where we are, but we will take that back and determine its applicability in our space as well.

Dr. SNYDER. Thank you, Mr. Chairman.

Mr. MCHUGH. We have six votes. That will take us about an hour and a half. You all can stay. I am not coming back.

Seriously, we do have six votes, so there is no reasonable way in which we can expect you gentlemen to stay over.

We thank you so much, all three panel members, for your input. Thank you for your service. As with the first two panels, we will probably have some written questions; and as you have been so cooperative and helpful in the past, we know you will try to continue that. So I appreciate that.

With that, the subcommittee stands adjourned.

[Whereupon, at 1:20 p.m., the subcommittee was adjourned.]

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# **A P P E N D I X**

MARCH 18, 2004

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**PREPARED STATEMENTS SUBMITTED FOR THE RECORD**

MARCH 18, 2004

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Opening Remarks – Chairman McHugh  
Total Force Subcommittee Hearing  
Defense Health Program: Current and Future Issues  
March 18, 2004

Today, the Subcommittee on Total Force meets to hear testimony on current and future issues for the Defense Health Program from the perspective of the Department of Defense, beneficiary groups, and private industry. I welcome our witnesses and look forward to your testimony.

The Department faces significant challenges as it carries out its dual mission of maintaining medical readiness capabilities for wartime while providing peacetime healthcare for an estimated 8.9 million eligible beneficiaries. What makes the challenge more, shall we say, interesting is that it is rightly expected that the Department provide the highest quality of care in an environment where healthcare costs continue to rise.

This subcommittee already has held two hearings this year to examine health matters related to the Global War on Terrorism. During today's hearing we will focus on:

- The adequacy of the Defense Health Program budget for Fiscal Year 2005 – especially in light of the increasing number of beneficiaries utilizing the military health system, the national phenomenon of rising healthcare costs, and the significant growth of \$1.6 billion in the annual contribution to the Medicare-eligible Retiree Health Care Accrual Fund to support TRICARE-for-Life.

- The status of the transition efforts to the next generation of TRICARE contracts. By the end of 2004, the Defense Health Program will have undergone a colossal effort – during time of war, no less – of transitioning billions of dollars worth of existing contracts into new -- and very different -- contracts. We must ensure that the transition to those new contracts does not negatively affect beneficiary healthcare, and that it improves optimization of military treatment facilities while preserving high quality, accessible healthcare.
- We want to review the efforts that have been made to improve access to health care both in the direct care system and through civilian healthcare providers. In particular, we want to know how DOD is implementing the TRICARE Standard provisions from the National Defense Authorization Act for Fiscal Year 2004.
- We will also take this opportunity to review efforts to enhance collaboration and sharing of healthcare resources between the DOD and VA – especially those recommendations made last year by the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans.
- Also, we want to hear of DOD's progress in implementing the enhanced health care benefits for the reserve components enacted in 2004 National Defense Authorization Act.



- And the Department's response to recommendations for made by Dr. Alfred Buck and his colleagues in a 2001 report to DOD regarding Defense Health Program reforms.

Before I turn to the subcommittee's Ranking Democrat, Dr. Snyder, I would like to express my deep appreciation to all the witnesses for their steadfast dedication and spirited leadership in caring for millions of military beneficiaries. No other single healthcare system has ever experienced the incredible complexities of the Defense Health Program, especially with the added challenge of supporting a war. You have my sincere gratitude.

Dr. Snyder, do you wish to make an opening statement?

*(Dr. Snyder remarks)*

We have 10 witnesses on three panels today. We would like to give each witness the opportunity to present his or her testimony and each member an opportunity to question the witnesses. Therefore, I would respectfully ask the witnesses to summarize, to the greatest extent possible, the high points of your written testimony in 3 to 5 minutes. I assure you that, without objection, your written comments and statements will be made part of the hearing record.

Let me welcome the first panel:

William Winkenwerder, Jr., M.D.  
Assistant Secretary of Defense for Health Affairs  
Department of Defense

Lieutenant General James B. Peake

Surgeon General  
Department of the Army

*(Note: LTG Peake will retire this summer after almost 38 years of military service)*

Vice Admiral Michael L. Cowan  
Surgeon General of the Navy

*(Note: ADM Cowan will retire this summer after 32 years of military service)*

Lieutenant General George P. Taylor, Jr.  
Surgeon General of the Air Force

**NOTE:** *(If needed)*

- *I want to also announce that to ensure all Members have an opportunity to question our witnesses, we will use the five-minute rule when recognizing Members for questioning.*
- *Consistent with Committee rules, I will first recognize subcommittee members, then House Armed Services Committee Members, and then other House Members.*

Secretary Winkenwerder, you may begin.

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Let me welcome the second panel:

Sue Schwartz, DBA, RN  
Co-chair, The Military Coalition's Health Care Committee  
Accompanied by:  
Robert Washington, Sr.  
Co-chair, The Military Coalition's Health Care Committee

Kimberly Stanish  
Co-Chair,  
The National Military Veterans Alliance Health Care Committee

Accompanied by:  
Ben Butler, USMC (Ret)

**Co-Chair, The National Military Veterans Alliance and  
Legislative Director  
National Association for Uniformed Services**

**Alfred Buck, M.D.,  
Chairman, DOD Healthcare Quality Initiatives Review Panel  
Partner  
Edward Martin and Associates, Inc.**

**Dr. Schwartz, you may begin.**

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**Let me welcome the third panel, but before I do I want to mention that we have received an additional statement from the General Accounting Office. Without objection, GAO's statement will be entered into the hearing record.**

**David J. McIntyre, Jr.  
President and CEO  
TriWest Health Alliance**

**James Woys  
President  
Health Net Federal Services**

**David Baker  
President and CEO  
Humana Military Healthcare Services**

**STATEMENT OF THE  
HONORABLE VIC SNYDER**

**HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE**

**DEFENSE HEALTH PROGRAM: CURRENT AND  
FUTURE ISSUES**

March 18, 2004

Thank you, Mr. Chairman. Looks like we're going to have another marathon health care hearing again this year—three panels, 12 witnesses—it is evident that military health care remains one of the highest priorities for service members and their families.

Let me welcome our witnesses on the first panel—Dr. Winkenwerder, General Peake, Admiral Cowan, and General Taylor. I understand that two of our Surgeon Generals will be retiring this year. General Peake and Admiral Cowan I would like to take this opportunity to thank both of you for your dedicated and exemplary service to our nation. You both will leave a legacy of achievements that have improved the quality of life for our soldiers and sailors, and I would like recognize each of you for your outstanding leadership.



I would also like to welcome the representatives from the beneficiary groups, Bob Washington and Sue Schwartz from the Military Coalition; Ben Butler and Kimberly Stanish with the National Military Veterans Alliance; our managed care support contractors; and Dr. Alfred Buck.

I am particularly interested to hear from Dr. Buck, who chaired the Federal Advisory Committee on the DOD Healthcare Quality Initiatives Review Panel. The Panel was established in response to concerns that the quality of care in the military health care system was not up to the same standards as the civilian sector. The Panel's mission was to determine whether, in fact, the military health care system is consistently delivering quality, professional health care services. As more beneficiaries are brought back into the military health care system under the new TRICARE contracts, it is imperative that the system provides quality care to our service members and their families.

I hope Dr. Winkenwerder and the Surgeon Generals will share what efforts they have taken to implement the recommendations of the Panel. I am also interested in hearing what the services are doing to prepare their systems for the transition to the next generation of contracts, and why the

Department and the Army and Air Force have failed to appoint a regional director for their respective regions in the South and North.

I understand the challenges are enormous. We are asking our military health care providers to continue to provide health care for those in combat; transition the system's 11 regions to 3; increase access for beneficiaries, not only for active duty personnel and their families, but also for over 180,000 mobilized reservists and their families, as well as the retiree population; and to do it all within a constrained budget.

As you know, the President's proposed budget for fiscal year 2004 proposes to provide \$17.6 billion for military health care. Funding for medical related military construction and military personnel costs would add close to \$7.5 billion and funding from the Medicare Eligible Retiree Health Care Fund would add another \$5.28 billion. The estimated total defense health care operations budget would be \$30.4 billion. But, once again, this budget fails to take into account the health care demands from the current operations in the Middle East, even though we know that the demands from these operations will continue for the foreseeable future.

Mr. Chairman, there are many issues facing the military health care system, while health care remains a priority for our forces deployed in Operation Iraqi Freedom and Operation Enduring Freedom, this is not the only issue facing the military health care system. There are many pressures being placed on the system—the transition to the next generation of TRICARE contracts and its impact on beneficiaries; the medical and dental readiness of the Guard and Reserves; health care access for all users, including Standard beneficiaries; recruitment and retention of both military and civilian medical providers; increasing numbers of eligible beneficiaries returning to the program; and limited resources. These are just a few of the myriad of issues that require our constant attention and oversight because failure is not an option.

I want to thank all of our witnesses here today. Your participation is important and necessary, we need to continue to work together to ensure the continued success of the entire military health care system—the lives of our men and women in uniform depend on it.

Thank you, Mr. Chairman.

Military Health System

Overview Statement

By

The Honorable William Winkenwerder, Jr., MD, MBA,

Assistant Secretary of Defense for Health Affairs

Submitted to the

Subcommittee on Total Force

Committee on Armed Services

U.S. House of Representatives

March 18, 2004



Chairman McHugh, Representative Snyder, Distinguished Members of the Subcommittee, I am honored to have this opportunity to discuss with you the Military Health System. Military medical personnel have superbly supported military operations in Afghanistan, Iraq, and elsewhere. We have awarded a full suite of new TRICARE contracts, extended our sharing and cooperative efforts with other federal agencies, and continued to provide quality healthcare to our 8.9 million beneficiaries. Using the balanced scorecard approach to strategic planning, we have focused on readiness, effectiveness of our health plan and patient satisfaction with access to care.

### ***Military Health System Funding***

Before describing our activities, I would like to address our funding situation and highlight initiatives to manage costs. Defense Health Program (DHP) costs continue to rise due to increased utilization of the Military Health System (MHS). The Fiscal Year 2005 DHP funding request is \$17.640 billion for Operation and Maintenance, Procurement and Research, Development, and Test and Evaluation Appropriations to finance the MHS mission. We project total military health spending to pay for all health-related costs including personnel expenses, and retiree health costs, to be \$30.4 billion for FY05. In 2003, the DHP experienced a seven percent increase in new users, and we anticipate another seven percent growth for 2004. This growth is the result of increased healthcare costs in the private sector, and the consequent election of MHS-eligible beneficiaries, mainly our retirees, to drop private insurance coverage and rely upon TRICARE. Additionally, activation of Reserve Component members adds to the number of MHS-eligible beneficiaries. To fund this growth, the Operation and Maintenance

Appropriation submission is 15 percent more than the Fiscal Year (FY) 2004 appropriated amount.

The Department has taken several actions to better manage resources. The MHS is implementing performance-based budgeting, focusing on the value of services delivered rather than using other cost methods. We are introducing an integrated pharmacy benefits program that uses a standardized formulary that is clinically and fiscally sound. Federal pricing of pharmaceuticals in the TRICARE retail pharmacy program will significantly contain costs. Quality management programs continue to ensure that care provided is clinically appropriate and within prescribed standards.

*Performance-based budgeting.* With this budgeting approach, we intend to base MTF budgets on output or work-related factors such as the number of enrollees, hospital admissions, prescriptions filled and clinic visits, rather than on anticipated requirements such as number of staff employed, increased supply costs, and historical workload. We will institute a Prospective Payment System for MTFs with capitation payments for their enrollees. We will also include a fee-for-service funding mechanism for MTFs that is tied to the value of care provided for beneficiaries not enrolled at their facility.

*Integrated pharmacy benefits program.* The redesign of our pharmacy programs into a single, integrated program, beginning in June 2004, simplifies and allows us to more effectively manage this \$4 billion benefit. We will standardize formulary management, achieve uniform access to all medications, enhance portability, and involve beneficiaries in formulary decision-making. We will promote the use of more cost-effective products and points of service.

Application of federal pricing for the retail pharmacy benefit will allow the Department to obtain manufacturer refunds for medications obtained through this point of service. We currently use federal pricing for mail order and MTF pharmacy services.

*Quality management programs.* We continue to improve the quality of care delivered throughout the MHS, employing sound management practices and metrics to ensure appropriateness of care. We monitor the health of our population using Healthy People 2010 goals as a benchmark, and we measure the quality of care provided using Joint Commission on Accreditation of Healthcare Organizations Oryx indicators.

Our new healthcare contracts use best-practice principles to improve beneficiary satisfaction and control private sector costs. Civilian partners must manage enrollee healthcare and can control their costs by referring more care to MTFs. In concert with these new contracts, and the implementation of the Prospective Payment System to create financial incentives for MTFs, we need the flexibility to flow funds between MTFs and the private sector. Currently, MTF revised financing funds are in the private sector budget activity group. Restricting the movement of DHP funds does not allow MTFs to use these revised financing funds to increase productivity and workload without prior-approval reprogramming. We appreciate the Congressional intent to protect direct care funding. However, the current restrictions on funding adversely affect MTFs as well as care in the private sector. We urge you to allow MTFs and the MHS to manage the DHP as an integrated system. Funds must be allowed to flow on a timely basis to where care is delivered. We need your help in restoring flexibility needed to manage DHP resources across budget activity groups.

*Force Health Protection*

The Department's Force Health Protection program is designed to preserve and protect the health and fitness of our service members from the time they enter the service until their separation or retirement. The Services have utilized preventive health measures, environmental surveillance, and advances in military medicine to support military operations worldwide. Despite deployments to some of the most austere environments imaginable, observed disease non-battle injury and illness rates remain the lowest in modern military history. This is the result of increased screening, line commitment and service member education.

*Health assessments.* We ensure a healthy force by applying high medical standards at accession, conducting periodic medical and dental examinations and health assessments, providing required immunizations, and providing high quality healthcare when needed. Learning from the Gulf War, our policy now requires that before and after deployment service members receive health assessments to ensure health readiness and to identify and capture any health issues upon their return. Records are maintained in the individual's permanent health record and an electronic copy of the post-deployment health assessment is archived for easy retrieval. We have started an aggressive quality assurance program to monitor conduct of these health assessments.



Besides conducting a pre-deployment health assessment, deploying personnel are provided required personal protective and medical equipment, serum samples are obtained, dental readiness is determined and health briefings are conducted.

We use post-deployment health assessments to gather information from deployed service members and assist medical personnel evaluate health concerns or problems that may be related to deployment. Individual discussions with licensed healthcare providers help to determine the need for more detailed medical follow up care. Blood samples are collected within 30 days of redeployment and are retained in the DoD Serum Repository. Post-deployment health assessments and deployment health records are maintained in the permanent health record, which is available to the VA upon the service member's separation from the military.

In January, I established a deployment health quality assurance program. The Defense Medical Surveillance System (DMSS) provides periodic reports on centralized pre- and post-deployment health assessment programs, as well as reports on service-specific deployment health quality assurance programs, and includes periodic visits to military installations to assess program compliance. DMSS maintains a centralized database of deployment health assessments. DMSS provides weekly reports on post-deployment health assessments and monthly reports on pre-deployment health assessments. Post-deployment reports include data on service members' health status, medical problems, mental health and exposure concerns, blood samples, and referrals for post-deployment care. Over 90 percent of the 300,000 redeploying service members have reported their health status as good, very good, or excellent.

*Immunization programs.* Immunizations offer protection from endemic disease, as well as from agents that could be used as biological weapons, including anthrax and smallpox. Vaccines against these disease threats are highly effective. Our programs are based on sound scientific information and verified by independent experts. They are essential to keep our service members protected. The Department has succeeded in protecting many hundreds of thousands of service members against two deadly infections—anthrax and smallpox. We protected over a million service members against anthrax, and over 580,000 personnel have received the smallpox vaccination.

The National Academy of Sciences' Institute of Medicine, in a congressionally mandated report, concluded that anthrax vaccine is both safe and effective to protect humans against all forms of anthrax. Those receiving the vaccine commonly experience some local discomfort, such as redness, itching or swelling; these reactions are comparable to those observed with other vaccines. On December 30, 2003, the Food and Drug Administration issued a final rule and order for a number of products, including anthrax vaccine. They concluded, "the licensed anthrax vaccine is safe and effective for the prevention of anthrax disease, regardless of the route of exposure."

Like the anthrax vaccine, the smallpox vaccine is fully licensed by the FDA and is safe and effective. However, there are more risks associated with administration of the smallpox vaccine. By carefully screening recipients with known risk factors, we have kept serious adverse effects well below the number anticipated when the vaccination program began. The Centers for Disease Control and Prevention tracks possible reactions to these and other vaccines through the

Vaccine Adverse Event Reporting System (VAERS), which is co-sponsored by the Food and Drug Administration. DoD encourages all service members to report any reactions to VAERS. Like all vaccines, most adverse events noted with smallpox vaccine are minor and temporary. Serious events, such as those requiring hospitalization, are extremely rare.

*Combat casualty care.* For military operations in Afghanistan and Iraq, medical care was deployed far forward, available within minutes of injury. Based on our current analysis, over 98 percent of those wounded have survived, and one-third returned to duty within 72 hours. It is clear that far forward medical care, improved personal protection, and operational risk management techniques continue to save lives. For Operation Iraqi Freedom, the rate of non-combat disease or injury is lower than in any previous U.S. conflict.

Mental healthcare is an integral part of the MHS, and we have programs in place to identify and support service members and families with special needs. The military services have a full range of mental health services available for deployed personnel, including suicide prevention programs sponsored by the service leadership and tailored to operational environments. Each service has a program to ease the return and reintegration of deployed service members to families and life at home.

For service members sustaining serious injury or illness, the MHS can rapidly evacuate them to definitive care. Our aeromedical evacuation system has advanced to the point that specialized teams can accompany and treat patients during transit to the next level of care. In the United States, two of our premier medical centers, Walter Reed Army Medical Center and the

National Naval Medical Center, provide service members extraordinary care. Walter Reed operates the US Army Amputee Patient Care Program, featuring a highly skilled multi-disciplinary staff and first-of-its-kind technology. In association with the Department of Veterans Affairs, this program strives to return patients to pre-injury performance levels. Walter Reed is one of two sites worldwide that is fitting patients with the Utah-3 arm, a technology that permits simultaneous motion for the elbow and wrist. It is the only facility fitting patients with a fast sensor hand that automatically maintains consistent hand pressure. Many soldiers with above-the-knee amputations receive the C-leg, a device containing a computerized chip to analyze motion 50 times per second, making ambulation on stairs possible.

*Medical technology on the battlefield.* Last year we introduced elements of the Theater Medical Information Program (TMIP) and Joint Medical Workstation for Operation Iraqi Freedom (OIF). These capabilities enable medical units to electronically capture and disseminate near real-time surveillance information to commanders. Information provided includes in-theater medical data, environmental hazard identification and exposure data, and critical logistics data such as blood supply, hospital bed and equipment availability. TMIP, through the Joint Medical Workstation, links care in theater with the sustaining base using interoperable data collection tools. This system serves as the medical component of the Global Combat Support System.

New medical devices introduced during OIF provided field medics with enhanced blood-clotting capability, and light, modular diagnostic equipment for use by far-forward medical forces. Advanced personal protective gear prevents injuries and is saving lives.



*Medical hold.* One consequence of improved pre and post-deployment health assessment screening is the identification of service members medically unqualified for deployment, or even military service. This has generated additional Medical Evaluation Board processing workload, and resulted in large numbers of service members awaiting healthcare and specialty consultations at mobilization sites. The Army has acted to alleviate this backlog, and has significantly reduced the numbers of individuals in this category. We remain committed to deploying healthy and fit service members and to providing consistent, accurate post-deployment health evaluations with appropriate, expeditious follow-up care when needed.

*Individual medical readiness.* Among the performance measures we track is the individual medical readiness status of all service members. For the first time, the MHS has a common tool to track individual medical readiness metrics for health and dental assessments, immunizations, laboratory tests, required medical equipment and limiting medical conditions. This tool allows unit commanders to monitor the readiness of their members and units.

*Transition to VA Care.* After returning from deployment, service members may receive care by military or DVA providers. Service members referred for a Physical Evaluation Board attend the Disability Transition Assistance Program, where VA counselors advise on benefits, disability ratings and claim processing procedures. Members voluntarily separating and not referred to a Physical Evaluation Board receive mandatory pre-separation counseling through the Transition Assistance Management Program, receiving briefings on VA benefits and availability of VA healthcare services.

We achieved a significant advance in our efforts toward a seamless transition with the establishment of the Federal Health Information Exchange. This exchange transfers electronic health information on separating service members to the VA. Currently, we provide the VA laboratory results, outpatient pharmacy data, radiology results, discharge summaries, demographics admission, disposition and transfer information, allergy information and consultation results. We are on still on track to have two-way real time exchange of electronic health information with the VA by the end of FY 2005. In addition, we have created integration points, with VA, that will permit VA to access the Defense Enrollment and Eligibility Reporting System (DEERS) in real time by the end of 2005.

### ***Biological, Chemical and Nuclear Warfare Medical Countermeasures***

Announced last year, Project Bioshield calls for identification and procurement of medical countermeasures to weapons of mass destruction (WMD). With the Departments of Health and Human Services and Homeland Security, we are actively developing a national priority for medical countermeasures to biological, chemical, and nuclear threats. This national priority will allow the US government to attract industry to develop and manufacture needed medical WMD countermeasures. The work collaboratively done on anthrax and smallpox is a start, but the effort is more comprehensive. Future work will include additional medical countermeasures.

### ***DoD – VA Partnership***

We have successfully shared healthcare resources with the Department of Veterans Affairs for twenty years, but opportunities remain. We recently introduced a common national billing rate for our sharing agreements, greatly simplifying administrative processes. In 2003, the President's Task Force to Improve Health Care Delivery for our Nation's Veterans outlined a broad and substantive agenda to foster greater collaboration. We have already taken action on a number of recommendations. We initiated a joint strategic planning process, began sharing medical information electronically, identified additional joint contracting opportunities, and included the VA in the development of the Request for Proposal for the Next Generation of TRICARE Contracts. Greater collaboration on capital planning and facility life-cycle management will benefit beneficiaries and taxpayers alike.

We have initiated seven demonstration projects at seven sites with the VA. These demonstrations entail budget and financial management, coordinated staffing and assignments, and sharing of medical information and information technologies. Our joint Health Executive Committee approved the following sites for these demonstrations:

- Budget and Financial Management
  - VA Pacific Islands Health Care System – Tripler Army Medical Center
  - Alaska VA Health Care System – Elmendorf Air Force Base, 3rd Medical Group
- Coordinated Staffing and Assignment
  - Augusta VA Health Care System – Eisenhower Army Medical Center
  - Hampton VA Medical Center – Langley Air Force Base, 1st Medical Group
- Medical Information and Information Technology
  - Puget Sound VA Health Care System – Madigan Army Medical Center

- El Paso VA Health Care System -- William Beaumont Army Medical Center
- South Texas VA Health Care System -- Wilford Hall Air Force Medical Center and Brooke Army Medical Center

### ***TRICARE – The Military Health Plan***

We have embarked on a comprehensive transformation for how we will organize, manage and motivate our health delivery system to better serve our beneficiaries. Our goal remains constant; providing accessible, quality healthcare that fosters patient satisfaction with all aspects of their healthcare. Highlights of this transformation include family centered care, patient safety, health plan governance, and new TRICARE contracts.

*Family centered care.* To improve satisfaction with the Military Health System, we introduced family centered care this year, focusing on obstetrical and newborn care. Using beneficiary input, we revised maternal and newborn services in our military medical facilities to enhance emotional well-being, privacy and personal preferences. This program respects family and cultural beliefs and offers treatment choices including pain management, and testing options before, during and after childbirth. We encourage families to participate in the birth experience. Childbirth is a special time for the family. Unfortunately, many service members are not available to participate in this experience. We believe it is critical that the MHS accommodates the unique requirements of our service members and their families. Our healthcare personnel know first-hand about the separation aspects of military life. We want to be our beneficiaries' first choice for healthcare and it starts at birth.



*Patient safety.* We place a high priority on patient safety, and remain committed to providing all resources to prevent medical errors and ensure patient safety. Our Patient Safety Center collects and analyzes safety data from military medical facilities and advises the Patient Safety Executive Council, chaired by the Deputy Assistant Secretary of Defense for Clinical Programs and Policy. Our safety record is strong, and we intend to be a model for other healthcare systems.

*Governance.* The new TRICARE organizational structure will streamline healthcare management and enhance efficiency, productivity and customer service. This restructuring strengthens the partnership between the direct care system and our purchased care contractors by providing more flexibility and interoperability in the MHS. Three TRICARE Regional Directors will integrate military treatment facilities and civilian networks to ensure support to local commanders and oversee regional performance.

We increased medical commander responsibilities and accountability for their local health care markets. Commanders will be directly responsible for all healthcare services and support provided to their patients, including patient appointing, utilization management, the use of civilian providers in military hospitals and clinics (i.e., resource sharing providers), and other local services. We will have 13 multi-MTF markets with Service-assigned senior market managers to effectively use available resources.

The central management effort in TRICARE will be to establish and then manage toward objectives set in annual business plans; plans developed locally and then built into service and regional plans. The new Regional Directors have a key role in improving provider participation in TRICARE, and in improving TRICARE Standard support. Gaining beneficiary support and satisfying their healthcare needs serve as the objectives for which the TRICARE contracts and organization are designed.

*TRICARE Contracts.* The first step in redesigning TRICARE was to simplify. We reduced the number of TRICARE regions from eleven to three, and reduced the number of contracts from seven to three. With these new contracts, beneficiaries will realize improved access to care, better customer service and enhanced quality of care. Current and future contractors have committed to smoothly transition every aspect of their responsibilities while maintaining the highest standard of care and service. The Department remains committed to keeping beneficiaries informed throughout this transition.

We have "carved out" major elements of the current TRICARE contracts into separate entities. These new contracts leverage the expertise resident in companies whose core competency is pharmacy management, claims processing and marketing. We have established national contracts that improve management and beneficiary satisfaction.

*Pharmacy management.* An integrated pharmacy benefits program brings consistency to our military, mail-order and retail pharmacies. It uses a uniform formulary that is clinically appropriate, cost-effective, and developed with beneficiary input. This integrated program

allows federal pricing of pharmaceuticals for our retail program, allows better management and improves beneficiary satisfaction by making it easier to obtain prescriptions while traveling.

*Claims processing.* We have markedly improved claims processing performance and now lead the industry in all measures. During 2003, we processed 104.6 million claims, with over 99 percent of clean claims processed within 30 days. Only one percent of claims cannot be processed and are returned for correction; the industry experience for returned claims frequently exceeds 25 percent. Audits of processed claims show that errors remain below two percent for payment and three percent for other errors. This compares favorably with published rates for managed care carriers that range from 6 percent to over 30 percent. The claims processing “carve out” will focus on those claims submitted by our senior beneficiaries as supplemental to Medicare in the TRICARE for Life program. Establishing a single claims processor for dually eligible Medicare-TRICARE patients adds consistency and enhances beneficiary satisfaction.

*Marketing.* A consistent approach through a national suite of marketing and educational materials will bring clarity and consistency to the TRICARE messages. Materials development will involve beneficiaries, research of current trends and analysis of past approaches. Materials will include beneficiary and provider handbooks, briefings, brochures, health and wellness pamphlets, newsletters and bulletins. Regional content is included and templates are created to allow for local modification.

*TRICARE Standard improvements.* To better assist beneficiaries who choose to use the TRICARE Standard option, we recently updated our on-line provider directory, streamlining

search capabilities and adding questions and answers. We have emphasized the need for accuracy and reliability of provider information and customer satisfaction in the new TRICARE contracts. Based on congressional direction last year to better serve TRICARE Standard beneficiaries, we have initiated provider surveys and outreach assistance to these beneficiaries. The Regional Director will have the responsibility to ensure that TRICARE works for Standard beneficiaries in the region.

### ***Reserve Health Benefits***

In addition to the enhanced TRICARE benefits the Department offered to activated Reserve Component members and their families during FY 2003, the National Defense Authorization Act of FY 2004 included even more new benefits. Because the new reserve health program is temporary, it offers us the ability to assess the impact of these benefits after the trial period. We will review the effects of these programs on reservists and their families as they transition to and from active duty and look at the overall effect on retention and readiness. We have concerns that health care benefits will be enhanced permanently before a full assessment of the impact can be completed, as well as concerns over the potential cost of new entitlements for reservists who have not been activated. Consideration must also be given to the impact on the active duty force if similar health care benefits are offered to reservists who are not activated. OMB, DoD, and CBO are working together to develop a model and a resulting five-year cost estimate to price the proposal to expand TRICARE health benefits for all reservists without regard to employment, medical coverage, or mobilization status as proposed in the Reserve and Guard Recruitment and Retention legislation. Preliminary results indicate that this could range



from \$6 billion to \$14 billion over five years. Final scoring of this proposal should be completed by the end of March.

### *Information Technology*

The MHS continues to introduce state-of-the-art information technology solutions and products to our healthcare team worldwide. Some of these solutions - the Pharmacy Data Transaction Service and the Defense Medical Logistics Support System (DMLSS) to name two, have received national awards for the application of technology in support of medical readiness and patient safety.

This year we will introduce globally the Composite Health Care System II (CHCS II), the military electronic health record. After years in design, development and testing, we are embarking on one of the most comprehensive technology deployments ever undertaken by a healthcare system. By June of 2006, we will have completed this implementation. CHCS II represents a quantum leap in our ability to collect, retrieve and analyze patient data. Clinical applications of CHCS II will populate the Theater Medical Information Program in battlefield versions. Clinical information will be sent to CHCS II and stored in the DoD Clinical Data Repository. CHCS II met the eight functions determined by the Institute of Medicine to be essential to enhance safety, quality and efficiency of healthcare delivery. It ensures health information continuity and patient-centered delivery, and is an industry leader. This system will vastly improve the quality and efficiency of care, and support medical and line commanders.

Another enhancement to healthcare delivery is TRICARE Online, our enterprise-wide, secure online medical portal for use by DoD beneficiaries, providers and managers to access available healthcare services, benefits and information. This Health Information Portability and Accountability Act (HIPAA) compliant tool provides beneficiaries with a communication system for appointment scheduling, access to 18 million pages of quality medical information, interactive health tools, and administrative information on our medical facilities and providers. Future capabilities will include pharmacy refill and renewal, appointment reminders, an ability to request routine tests, structured provider to patient messaging and more. TRICARE Online has received the Government Solution Center's 2003 Excellence in Government Pioneer Award for Best Practice Application and the International Association of Business Communicators' Silver Inkwell Award honoring the industry's best in strategic communication.

Mr. Chairman, distinguished members of the Subcommittee, you have graciously allowed me to outline many of the programs and activities currently under way in the Military Health System. I would like to take a moment to tell you about the men and women who accomplish the mission of the MHS. I've been on the job now for two and one half years, and I have had the opportunity to visit military medical units across the United States, Europe, Southeast and Southwest Asia and at sea. I am extremely proud of the military and civilian men and women in the Military Health System who serve their country. They are courageous, dedicated, exemplary professionals whose talents are second to none. They are America's best, and I am proud to serve with them.

Healthcare is a key quality of life issue for our service members and their families. We believe that with many of our new initiatives focused on our patients, on quality and effectiveness, and on ensuring readiness that we offer a valued healthcare benefit. With your support, we will continue to offer the uniformed men and women of the United States world-class healthcare. Thank you.

STATEMENT BY  
LIEUTENANT GENERAL JAMES B. PEAKE  
SURGEON GENERAL  
UNITED STATES ARMY  
BEFORE THE  
HOUSE  
COMMITTEE ON ARMED SERVICES  
SUBCOMMITTEE ON TOTAL FORCE  
SECOND SESSION 108<sup>TH</sup> CONGRESS

18 MARCH 2004



Mr. Chairman and Members of the Committee, I am Lieutenant General James B. Peake. I thank you for this opportunity to appear again before your committee. This will likely be the last time I appear before your committee as the Army Surgeon General, and I wish to express my gratitude for your unwavering support for our military and especially for our medical personnel.

Our Nation is at War, and there is nothing that brings the missions of military medicine into focus like war. Healthy and medically protected Soldiers; a trained and equipped Medical Force that deploys with the Soldiers, providing state-of-the-art medical care; and managing the health of all Soldiers and their families back home while keeping the covenant with our retirees – this is the mission of the United States Army Medical Department (AMEDD). We are keeping our promise to all of our beneficiaries by providing quality and timely healthcare.

### Healthy and Medically Protected Soldiers

This is a part of ongoing health maintenance informed by research in military relevant areas and about which few outside the military have much interest. From the development of vaccines for diseases seldom seen in the United States to formulating an insect repellent that can serve as a sunscreen and camouflage paint all at the same time, to working with the Food and Drug Administration to establish workable protocols for new drugs in remote locations, we meet our obligations to medically protect soldiers. It requires an integrated approach to educate soldiers about their health and about the things they can do to protect themselves day to day and in whatever region of the world they may find themselves deployed.

### Pre- and Post-Deployment Health

We place a high priority on maintaining the health of Soldiers before, during, and after deployment. Before Soldiers deploy we closely monitor their Individual Medical Readiness (IMR). That means up-to-date immunizations, periodic health assessments, screening tests and medical equipment (ear plugs, eyeglasses, etc.) We are working on uniform metrics to inform commanders on the state of medical readiness of their troops.

For the first time in military history, there is a systematic process of capturing this information. All of this data is part of the pre-deployment health assessment, which provides baseline information on the Soldier's health status before deploying. Upon redeployment all Soldiers are required to fill out a post-deployment health assessment form. We are working on ways to improve the collection of this data, to include using hand-held devices that can electronically download the information into the central record-keeping repository. Once the information is captured electronically, the TRICARE online web portal can be used by the Soldier's medical provider to access the record. Department of

Veterans Affairs can also access the information from the individual's medical record, which is available to the VA upon the Soldier's separation from the military.

Despite these advances in management and use of our databases, we in the Army recognized the need for improvement. First and foremost, we realized the limitations of paper forms for pre- and post-deployment health assessment. Completing, copying and shipping paper forms from a worldwide deployed and busy Army was a process that was difficult to comply with, and almost impossible to oversee. In September 2002, we launched an initiative to improve our assessment process by automating the collection, distribution, and archiving of the data. The first automated assessment form on the internet was activated on April 1, 2003. A hand-held computer variant of the enhanced (four-page) post-deployment program was deployed to the Central Command Area of Operations (CENTCOM AOR) and to Europe beginning in August 2003. From June 1, 2003 through February 27, 2004, we have received 127,696 automated health assessment forms, which comprise about one-third of all forms received during that period. Automated pre-deployment health screening was accomplished for the entire Stryker Brigade Task Force before it deployed in November 2003, and is approaching 100 percent for the 39<sup>th</sup> and 81<sup>st</sup> enhanced Separate Brigades. In Kuwait, all post-deployment health assessments are automated; in Iraq, about half of all screening is performed using the automated form.

In November 2003, the Army initiated a formal deployment health quality assurance program. This program includes audits of the deployment health assessment program on Army installations. Audits have been conducted at six Army installations (Forts McCoy, Drum, Lewis, Hood, Stewart, and Bragg). These audits reveal that compliance with the Army pre- and post-deployment health assessment program is generally higher than indicated by comparison with Army personnel databases, and is likely to rise further with automation support and standardization and centralization of Soldier readiness processing on installations and across the Army.

Data from health assessments before and after major deployments, and upon mobilization and demobilization are part of the digital longitudinal health record we are maintaining in the Defense Medical Surveillance System (DMSS). The DMSS contains over 250 million records on 7.4 million service members who have served on active duty since January 1990. These records include data on hospital admissions, outpatient visits, immunizations, and military deployments and assignments. These data are also linked with the DoD Serum Repository, which contains more than 27 million specimens from active-duty service members. This system provides an unmatched capability to study patterns of illness and injury in the active-duty population.

#### Environmental Health Surveillance for those Deployed

When Soldiers deploy, we identify potential environmental hazards by deploying survey teams early. The U.S. Army Center for Health Promotion and Preventive Medicine (CHPPM) provides teams to assess and document the hazards, and provide recommendations for their control or mitigation. CHPPM, in collaboration with the Armed Forces Medical Intelligence Center (AFMIC) and other elements of the Defense intelligence community, has improved the intelligence preparation of the battlefield so that commanders are informed about potential environmental health risks before they occupy a site that could cause their Soldiers to become ill. Deployable preventive medicine units from CHPPM are currently assessing the occupational and environmental health (OEH) risks to our forces in Bosnia, Kosovo, Kuwait, Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF). One of the key components of this capability is to reach back to the sustaining base and use special medical augmentation teams (SMART) to leverage world-class expertise to support the Warfighter. SMART teams were called forward into theater to respond to an evolving concern in central Iraq last April. Most importantly, all of this information is archived and retrievable so we can answer, not only the question of the day, but questions that might arise in the future. An infantry regiment was operating within a few kilometers of the Tuwaitha Nuclear Research Facility. Concerns were raised about possible radiation and chemical exposures to U.S. service members and local civilians due to looting. A SMART Preventive Medicine Team from CHPPM deployed into the area to assess the Tuwaitha facility, which included a site inspection and environmental sampling. All of the field data, reports, and potential health risks were communicated to field commanders and Soldiers. Due to weather conditions, short exposure time, conditions of exposure, and location of troops relative to the site, the resultant health risk was low based on U.S. peacetime standards.

### Medical Transformation

As part of our mission to train, equip and deploy the Medical Force, we are in the middle of transforming our medical units into standardized, modular medical structures. The process is called the Medical Reengineering Initiative (MRI), and is designed to support the Army Focus Areas of Modularity, Joint and Expeditionary Operations, Focused Logistics and the Soldier. MRI is the application of scalable, modular, medical capability packages designed to rapidly deploy and provide essential care in theater and enhanced care during evacuation to definitive treatment facilities. MRI provides medical units the capability to conduct split-based operations in support of highly mobile and dispersed Army or Joint forces.

MRI initiatives have enabled the AMEDD to reduce the medical footprint while achieving increased capabilities. We have employed this capability during combat operations in OIF, where we placed tailored medical forces to meet the needs on the battlefield. We deployed Forward Surgical Teams (FST) as well as Combat Support Hospitals (CSH). FSTs provided trauma surgery capability far



forward where it is available to Soldiers within the first hour following injury. These mobile teams can relocate quickly on a rapidly changing battlefield. Our far-forward surgical capability is saving lives and using state-of-the-art combat casualty care techniques. Few casualties died after reaching an FST or a CHS.

The benefits of training our Surgical personnel as teams in civilian medical facilities with high numbers of trauma cases have been seen on the battlefield. At the Ryder Trauma Center in Miami, Florida, the training rotations start with a mass casualty exercise to assess the team's ability. Then the military personnel are integrated with the Ryder Trauma Center's people, working side-by-side treating patients. Finally the forward surgical team takes charge of the trauma center for 48 hours, making decisions and working as a team, with Ryder Trauma personnel available as needed.

Our partnerships and collaboration with civilian counterparts is crucial in training our medical force. We recently co-sponsored a meeting on reducing medical errors through simulation with the American College of Surgeons. This is an ongoing initiative to explore ways to improve medical training for both military and civilian healthcare personnel.

We are progressing in transforming the combat medic to the new 91W Military Occupational Specialty (MOS). These medics train for 16 weeks versus the previous 10 week course and gain National Registered EMT-Basic certification. The 91W combat medic training is conducted at the Army Medical Department Center and School. Active duty medical specialists and clinical specialists who have not converted to the 91W MOS are required to complete the training in their units that include not only EMT certification, but pre-hospital trauma training and advanced airway and IV management.

Not only are we improving our training for personnel, but we are also improving our capability to transport patients on the battlefield. In order to treat Soldiers on the battlefield we have to be where they are. The 507<sup>th</sup> Medical Company (Air Ambulance) and the 126<sup>th</sup> Company (Air Ambulance) took our most advanced casualty evacuation helicopter, the HH-60L Black Hawk, to support operations in Southwest Asia and Afghanistan. These aircraft include a digital cockpit, on-board oxygen generation system, external electric hoist, advanced communications, improved litter support system, medical suction and electrical power for medical equipment. We currently have nine HH-60Ls and are working on upgrading the entire medical evacuation fleet. On the ground, we have the medical evacuation vehicle variant (MEV) of the Stryker. This vehicle is integrated into the fighting formation of the 3<sup>rd</sup> Brigade, 2<sup>nd</sup> Infantry Division that deployed to Iraq last November. The new ground ambulance can carry four litter patients or six ambulatory patients while its crew of three medics provides basic medical care. It can be delivered to the battlefield in a C-130 aircraft, has the speed and mobility to keep up with fighting forces and can communicate with the most advanced combat formations.



Improving our military equipment and personnel training, is a part of the overall Transformation process. We also are investing in our technical base by putting valuable resources towards improving vaccines, blood safety products, bandages, tissue repair and a number of other products. The United States Army Medical Research Institute of Infectious Diseases (USAMRIID) has recently achieved a number of significant scientific milestones, advancing over 17 medical products that are in various stages of development. Three vaccine candidates, one for anthrax, one for botulinum neurotoxin, and another for Venezuelan equine encephalitis (VEE) virus, have recently been transitioned to advanced development. USAMRIID is also exploring novel technologies with several industry partners that may result in the ability to deliver multiple vaccines simultaneously and that induce protection more rapidly than conventional vaccines. These initiatives will reduce the requirement for the number of stockpiled vaccines and could lead to a simpler vaccination schedule and a reduced medical logistical burden on the battlefield or in a national emergency. USAMRIID, in collaboration with the National Institutes of Allergy and Infectious Diseases (NIAID) and the U.S. Department of Agriculture (USDA), is working towards building a synergistic biodefense campus at Fort. Detrick, Maryland. The goal is to leverage the knowledge and capabilities of these research institutions by co-locating them on a single campus to fight the Global War on Terrorism (GWOT).

#### Executive Agent Responsibilities

The Army Medical Department manages over 30 Department of Defense (DoD) Executive Agencies. These agencies are unique, tri-service organizations that support the DoD by protecting and sustaining the health for all service members whether they are at home or deployed. The Executive Agencies (EA) are designed to assist the service members in their military lifecycle from induction through deployment to post-deployment care in a myriad of functions ranging from research, surveillance, education, field operations and direct care. The EAs work on a tri-service level to support all the services. Through this unique relationship, the AMEDD has the responsibility to look across the services for opportunities to better serve all military members.

One such EA is the Military Entrance Processing Command-Medical (MEPCOM). MEPCOM is responsible for the service members' first set of immunizations. In Fiscal Year 2003 more than 400,000 service members passed through the MEPCOM for medical in processing. EAs support service members in times of war or contingency operations from Investigational New Drugs for Force Health Protection (IND) to DoD Food and Nutrition research on metabolism and hydration. The work of EAs has led to advances in the Meals Ready to Eat (MRE) that Service Members currently receive, which can sustain them for longer durations. A newly establish EA, the Vaccine Healthcare Center Network, supports members of all services with a hotline to readily answer all vaccine

related questions, immediate response to reported adverse vaccine reactions, and pre-immunization screening for smallpox and anthrax immunizations. EAs assist in other pre-deployment functions such as ensuring all service members have their DNA specimen on file in the DNA Repository. The DNA specimens are maintained at the Office of the Armed Forces Medical Examiners Office (OAFME), a department under the Armed Forces Institute of Pathology Executive Agency. DNA specimens are critical for the rapid identification of a service member in the event of an untimely death. Whether it is in the positive identification of the Hussein brothers, the Space Shuttle Columbia explosion in 2003, or any death of a Soldier, Sailor, Marine, Airman or Coast Guardsman, the OAFME has been there to serve.

The DoD Pharmacoeconomic Center tracks the formulary requirements for deployed troops to ensure that the prescription medications are on hand and available to the service members while deployed. The Armed Services Blood Program Office (ASBPO) ensures adequate blood supply by location, type and quantity for the deployed forces. ASBPO received GWOT funding to support the increased demand for blood products needed for injured service members. The DoD Veterinary Services Activity (DoD VSA), an operationally critical EA, inspects 100 percent of the food that arrives in theater for deployed forces, ensuring it is safe to consume. DoD VSA maintains the health of the military working dogs that assist the military police in operations. The Joint Readiness Clinical Advisory Board incorporates the joint standards from all services to medical equipment deployment packages for deploying forces. All of these agencies are working towards managing and promoting the health of the military service member.

### TRICARE

The AMEDD is committed to managing healthcare for all of its beneficiaries. Recently the TRICARE Management Activity (TMA) awarded 3 contracts moving us forward into the next generation of TRICARE. The new contracts will replace the current 7 regional contracts in the continental United States. This consolidation will provide efficiencies and economies of scale for contractor performance, improve portability, achieve higher beneficiary satisfaction and help reduce administrative costs. Within the fiscally constrained resources of the Defense Health Program, greater efficiencies are needed to reduce costs. We are looking forward to leveraging partnerships with contractor support in providing healthcare not only to our active duty population, but also to the Reserve and National Guard forces.

In an effort to protect direct care funds, the Congress passed legislation restricting the flow of funds from the direct care system to the private sector care system and vice versa. With the new healthcare contracts using best business practices, there are incentives built into the system to use the direct care side as much as possible. Restricting the movement of Defense Health Program funds

will not allow the military treatment facilities the flexibility to manage their resources efficiently. In the new management environment, military treatment facilities are incentivized to increase productivity by pulling more beneficiaries into their facilities.

As healthcare costs rise, the AMEDD has aggressively sought ways to improve business practices that positively impact the direct care system. In 2001, with the help of Congressional support, the AMEDD received funds to start a business/entrepreneurial culture in the MTFs. Treatment facilities submitted plans for improving specific sectors of their healthcare system that required an up front investment. Their plans had to show that they would recoup that investment within three years through annual cost savings. The rigorous analytical evaluation of over 216 submissions resulted in 54 initiatives that projected a net savings or cost avoidance to the military healthcare system. This enterprise was effective in training our personnel to think in terms of business case analysis when making critical resource decisions.

### Reserve Component Healthcare

An integral part to the successful mobilization of our Army Reserve (USAR) and National Guard (ARNG) troops is providing medical and dental services by using the Federal Strategic Health Alliance (FEDS\_HEAL) Program. The FEDS\_HEAL program brings together resources of the DoD, Department of Health and Human Services and Veterans Health Administration to create a robust provider network. FEDS\_HEAL delivers readiness services to USAR, ARNG, and United States Air Force Reserve service members in all 50 states and territories. The FEDS\_HEAL provider network performs medical examinations, dental examinations and treatment, immunizations, and other medical readiness services through Veterans Administration medical centers, Federal Occupational Health clinics, and a network of over 1,100 physicians and nearly 2,250 dentists. In addition to exams and treatment, FEDS\_HEAL provides a data management service and inputs patient care data into the Army's Medical Protection System (MEDPROS). The FEDS\_HEAL Program Office provides 100 percent Quality Assurance Reviews prior to MEDPROS reporting. In Calendar Year 2003, Reserve and Guard forces received 42,624 dental exams, 44,730 dental treatments, 29,971 physical exams, 54,108 immunizations, and 2,427 vision exams.

In addition to enhanced TRICARE benefits the Department offered to activated Reserve Component members and their families during FY 2003, the National Defense Authorization Act of FY 2004 included even more new benefits. Because the new reserve health program is temporary, it offers us the ability to assess the impact of these benefits after the trial period. We will review the effects of these programs on reservists and their families as they transition to and



from active duty and look at the overall effect on retention and readiness. We have concerns that health care benefits will be enhanced permanently before a full assessment of the impact can be completed, as well as concerns over the potential cost of new entitlements for reservists who have not been activated. Consideration must also be given to the impact on the active duty force if similar health care benefits are offered to reservists who are not activated. OMB, DoD, and CBO are working together to develop a model and a resulting five-year cost estimate to price the proposal to expand TRICARE health benefits for all reservists without regard to employment, medical coverage, or mobilization status as proposed in the Reserve and Guard Recruitment and Retention legislation. Preliminary results indicate that this could range from \$6 billion to \$14 billion over five years. Final scoring of this proposal should be completed by the end of March.

### Behavioral Health Initiatives

Our experience in Desert Shield/Storm showed that there were deployment-related impacts on Soldiers' behavioral/mental health associated with that conflict. Based on that experience, the Chief of Staff (CSA) of the Army directed the development of a comprehensive program to decrease post-deployment difficulties. The Deployment Cycle Support (DCS) initiative is the Army's multi-agency response to that directive. DCS is an ongoing, longitudinal series of program elements that cover the entire deployment cycle, specifically designed to create a comprehensive safety net that integrates and maximally leverages existing soldier support programs.

The AMEDD plays a crucial role in several of the new program elements. Soldiers participating in Operations Iraqi Freedom and Enduring Freedom (OIF/OEF) will benefit from the newest initiative in social work support. Our plan is to contract 58 licensed clinical social workers (47 positions currently already filled) to provide services in primary care clinics, medical holding companies, and mobilization processing facilities. There are 22 sites identified, not only in the Continental United States (CONUS) Army installations, but also locations in Europe and Korea. Some of the social workers' duties and responsibilities will be to assess and resolve complex social, economic and psychosocial problems that may impact service members and their families' healthcare. For example, social workers will assist in conducting psychosocial evaluations and provide therapeutic intervention to include crisis counseling to individuals and their families. They will assist healthcare providers, military commanders and community agencies in the development and implementation of deployment-related health programs at the installation and/or clinic level. Placing these services at the primary care clinic allows the social worker to function as an advocate for behavioral and mental health concerns without the stigma that may be associated with seeking this care in other venues.



The military recognizes that Soldiers and family members perceive a stigma to accessing mental healthcare. Based on numerous surveys, the Army developed and implemented an Employees Assistance Program (EAP) called the Army One Source (AOS). This program is open to Active and Reserve component Soldiers, deployed civilians, family members worldwide. Among the AOS benefits is the opportunity for 6 sessions of face-to-face counseling, at no cost to the service member and family. This counseling is provided off-post and does not require command notification unless there is serious abuse. Individual counseling records do not become a part of the service member's personnel or medical record. As a result, AOS provides a source of early care for Soldiers, civilians, and family members, which can be directly accessed by them while problems are still manageable.

Behavioral Health is important across the spectrum of operations. In July last year, in partnership with the G-1, we sent a Mental Health Advisory Team (MHAT) into Iraq and Kuwait to look at the mental health support in theater, the evacuation chain for mental health patients returned to CONUS, the suicide prevention program in theater and combat stress control doctrine. The team was comprised of behavior health specialists, psychologists, a chaplain, a personnel specialist, researchers, psychiatrists, social workers, an occupational therapist and a psychiatric nurse. This was an unprecedented event, never before has the mental health of our forces been assessed during combat. The amount of support and cooperation provided to the team by the combatant commanders in theater demonstrated the concern they had in the mental health of their forces. The team took a snapshot survey in August and September 2003 to see how Soldiers felt and to see if they were experiencing behavioral health problems with which they wanted assistance. Overall 15 percent of Soldiers reported interest in receiving behavioral health assistance. Soldiers reported multiple combat and deployment stressors, which contributed to behavioral health problems and low morale. The survey indicated that the way combat stress teams were deployed could be improved upon, which started an initiative to re-write combat doctrine and training for our Combat Stress Control teams. Historically the CSC teams expected patients to travel to their location for care, but with a non-linear, expeditionary battlefield it became apparent to the MHAT that CSC teams need to go to the patient or to the units and not wait for them to come to a treatment area. Many Soldiers would not seek care due to the stigma of mental health needs; they did not want to be perceived by their peers as weak. The timing of the survey is critical to keep in perspective. Soldiers completing this survey were first experiencing 130 degree heat, the length of their tour was unknown or kept changing, infrastructure for hot meals and showers had not been established yet. There is no comparison study to show if the survey results are high, medium or low, but the Army leadership and the AMEDD will continue this kind of surveillance to find the best way to care for Soldiers.

One of the most important elements of our doctrine was confirmed. That is, the closer the Army can provide mental health services to the Soldier, the more likely it is the Soldier will recover quickly and return to duty. The team found that forward-deployed behavioral health units returned to duty 97 percent of the Soldiers they saw. But, only 11 percent of Soldiers evacuated to Kuwait for treatment were returned to duty, and only 3.6 percent of those evacuated to Landstuhl Regional Medical Center returned to duty. Overall the team advised senior Army Leaders that treating behavioral health issues far forward is better for the Soldier.

The team also recommended that the Army Suicide Prevention Program developed for a garrison type setting could be adapted and used in combat. Training leaders at the company and squad level to look for signs of stress and provide early on intervention will preserve the mental health of our Soldiers. Training programs have been implemented on Suicide prevention and stress reduction for leaders, Soldiers, and mental health care providers for combat and garrison environments.

### Care of Seriously Injured

At the outset of GWOT, the AMEDD developed plans to manage potentially large numbers of military amputee patients that were expected as a result of military operations, first in Afghanistan and subsequently in Iraq. Building on the military's previous combat experience and the latest advances in surgical treatment, rehabilitation and prosthetic technologies, a group of internationally known civilian, military, and Department of Veterans Affairs clinicians met to evaluate existing facilities, programs, policies, and procedures. The group identified and addressed some of our deficiencies within the existing healthcare delivery system and assisted in establishing the Military Amputee Patient Care Program (MAPCP). The MAPCP mission is to rehabilitate amputee patients to the highest level of physical function and return them to active duty if possible. The MAPCP, headquartered at Walter Reed Army Medical Center, provides a center of expertise for state-of-the-art treatment for complex blast injuries that involve loss of limb. It is the focal point of a new system for coordinating long-term care for military amputee patients that will extend to regional medical centers throughout the Department of Defense and the Veterans Administration. Improved surgical techniques on the battlefield, faster evacuation to definitive care, highly advanced prosthetic devices, and advances in physical medicine and rehabilitation have all contributed to a much higher level of achievement of today's amputees.

### Continuity of Care

The advancement in medical care would not be possible without our civilian workforce. Government Service (GS) employees comprise about 50 percent of our workforce. They provide the continuity base for our treatment facilities when

uniform personnel deploy. In the past we have had challenges in hiring certain medical specialties in the civilian personnel system. Congress assisted us by giving us limited Direct Hire Authority (DHA) for certain crucial healthcare occupations. We have had some success in leveraging the DHA to fill eleven healthcare occupations that are crucial to our mission accomplishment, most notably the critical nursing positions. Between May 2002 and December 2003, the AMEDD filled 1,225 jobs using DHA, with an average fill time of 20 days. The fill time for these occupations before the DHA was over 100 days. This 80 percent decrease in the time it takes to make a firm job offer to a qualified candidate has been invaluable in our ability to hire critical health care workers. DHA is an effective recruitment tool we cannot afford to lose. The AMEDD is looking forward to the full implementation of the National Security Personnel System, but until that time, the DHA is an invaluable interim tool to hire civilian employees.

Another valuable tool in providing consistent healthcare is the implementation of the next generation of the Composite Health Care System, CHCS II, across the Military Healthcare System. CHCS II is a longitudinal electronic medical record that captures patient care from the first medical visit to the last visit as a soldier, including all care provided from foxhole to medical center.

The first step in this complex effort is the deployment of outpatient care functionality found in CHCS II Block 1, which the Senior Military Medical Advisory Committee recently approved for a 30-month accelerated fielding beginning in January 2004. Using spiral development processes that are closely tied to evolving medical requirements, additional CHCS II functionality blocks are under development and testing, and will collectively represent all patient care provided across the entire healthcare continuum. MHS patient care data will be deposited into the Clinical Data Repository and because of a joint DoD/VA effort will be available for a two-way interface with the VA Health Data Repository in Fiscal Year 2005, thus establishing the seamless electronic record envisioned by all.

#### OIF Medical Holdover

During the recent mobilization and deployment of our forces for OIF, the AMEDD was faced with the challenge of caring for those Reserve Soldiers who were not medically fit for deployment. The AMEDD seeks to return sick or injured Soldiers to duty whenever possible. When return to duty is not possible, the AMEDD is committed to allowing each Soldier to attain optimum therapeutic benefit from treatment. Once this is achieved, the AMEDD strives for compassionate and expeditious disposition of the Soldier.

A small percentage of Reserve Component Soldiers who mobilized in support of Operation Iraqi Freedom were not medically fit to deploy. Personnel guidance prior to October 25, 2003 stated Soldiers who were not medically fit to deploy would remain on active duty until maximum therapeutic benefit had been



accomplished. If the Soldier's condition was still not at the point where he or she could deploy, then a Medical Evaluation Board would ensue and the Soldier would be released from active duty. By the end of October 2003 there were 4,452 Soldiers in the Medical Holdover (MHO) population and the numbers were growing. Personnel guidance changed on October 25, 2003 and the Army now returns Soldiers to their units and their homes if they are found medically unfit during the first 25 days of mobilization. The number of Soldiers who enter MHO during mobilization is now less than 1 percent. In October 2003 the Army also instituted enhanced access standards for MHO Soldiers, realizing these Soldiers were not near their homes and family, were living in quarters that were intended for short-term housing, and that the process of providing maximum therapeutic benefit was taking too long. The enhanced standards include 72 hours for specialty referrals, one week for magnetic resonance imaging and other diagnostic studies, two weeks for surgery, 30 days for the medical portions of the medical evaluation board processing, and one case manager for every 50 MHO Soldiers. Currently the AMEDD is meeting or exceeding those standards more than 90 percent of the time. Of the Soldiers in MHO on November 1, 2003, 1,582 or 35 percent remain on active duty. The total number of MHO Soldiers is 4,135, which is what our modeling predicted given the number of Soldiers mobilizing for OIF2 and the number of Soldiers demobilizing from OIF1. It is important to note the military is in the middle of the one of the largest troop movement operations since World War II.

#### Medical Reconstruction of Iraq

The breadth and depth of military healthcare does not stop with the services and care provided to our beneficiaries. The AMEDD has been called upon to assist in the rebuilding of Iraq. The Army Medical Department has played a key role in the re-establishment and reconstruction of the healthcare infrastructure within the country of Iraq. The AMEDD has provided vital expertise and experience to the Ministry of Health (MOH) and the Coalition Provisional Authority (CPA). Several members of our AMEDD were selected to assist the appointed staff of the MOH in developing a strategic vision and direction for Iraq's healthcare system.

Over 240 hospitals, 1,200 health clinics and a medical supply system within the country were affected by years of neglect and corruption. Physicians and nurses from the AMEDD have been on the front lines assessing clinical needs and requirements throughout the nation. They are working with their Iraqi counterparts, developing systems, assessing technology and changing the face of healthcare in Iraq.

Our health facility planners have been vital in the assessment of infrastructure, prioritization of power generation and reconstruction and refurbishment of hospitals and clinics throughout the country. They have teamed with Iraqi engineers, developed a thorough assessment of needs for each and every hospital within Iraq and begun the process of rebuilding healthcare infrastructure.



Our medical logisticians took a corrupt supply system and revamped existing contracts, distribution and tracking procedures and developed a system of checks and balances that enabled the MOH to assume full responsibility for the procurement, storage and distribution of pharmaceuticals and medical supplies throughout Iraq in November 2003.

Our operations officers have worked challenging issues surrounding reconstruction of a country still at war. They have planned and executed countless medical missions throughout the country. Traveling from Basra to Mosul, they recruited, trained, manned and equipped Iraq's "Facility Protective Services" responsible for providing security to hospitals throughout the country. They developed a program that allowed Iraqis in need of medical care above and beyond the country's capabilities to receive charitable care outside of Iraq. In a country that had no communication capability, they proved a vital link between the military and MOH civilian staff that provided tremendous insight into the challenges being faced throughout the country.

Our Soldiers have not done this without cost. Of the 15 AMEDD personnel deployed in support of the Ministry of Health since June 2003, four of them have been wounded. However, their efforts have not been in vain. The Ministry of Health will be one of, if not the first, Iraqi Ministries to be turned over completely to the Iraqi people.

### Summary

In summary, the Army Medical Department recognizes its responsibility to the men and women who defend our nation, to their families who support them, and to the retirees who have contributed so much to our country. We are committed to providing all of them exceptional healthcare. Army medicine is more than an HMO. Our system of integrated care includes teaching centers, research and development organizations, health clinics, field hospitals, and much more. The direct care system is truly the medical force projection platform for our Army; the Army we support across the world and across the spectrum of conflict. We do this quietly and on a daily basis all the while integrating active, guard and reserve units in support of the Chief of Staff's vision of THE Army.

I would like to thank my fellow Surgeons General. Their support, teamwork, and camaraderie are much appreciated. I would also like to thank the Committee for its continued commitment to our men and women in uniform, the civilian workforce, and our beneficiaries.

**VADM MICHAEL L. COWAN, MEDICAL CORPS**  
**SURGEON GENERAL OF THE NAVY**  
**BEFORE THE**  
**HOUSE ARMED SERVICES COMMITTEE'S**  
**SUBCOMMITTEE ON TOTAL FORCE**  
**ON**  
**DEFENSE HEALTH**  
**18 March 2004**

**VADM Michael L. Cowan, MC, USN**  
**Navy Surgeon General**  
**FY 2004 Posture Statement**

Chairman McHugh, Dr. Snyder, distinguished members of the subcommittee, thank you for inviting me here today. Each year, the Navy Surgeon General has the privilege of appearing before the House Armed Services Subcommittee for Total Force to provide an update on the state of Naval Medicine. It has been a year of challenges met and rewards reaped, and of maturing of programs that we undertook in the wake of Sept. 11, the anthrax attacks by terrorists unknown, and the advent of the Global War on Terrorism.

As is Naval Medicine's tradition, wherever our Marines and Sailors at the tip of the spear are, we are, as we provide operational support in the Global War on Terrorism, achieving the lowest-ever disease and combat casualty rates on the battlefield. The lessons we've learned from previous wars have predicated Naval Medicine innovation toward a new agility and capability. Today, Expeditionary Medical Units - complete lightweight tent hospitals - can be airlifted on site within days, and smaller units, Forward Resuscitative Surgery Systems, can be deployed to the action and made ready for patient care almost within hours. They, staffed with their "Devil Docs," have proven to be lifesavers for injured and sick Marines.

In defense of more bio-terror attacks on our Nation, Naval Medicine's Naval Medical Research Center, a recognized world leader in infectious disease detection, has moved forward toward developing even better rapid analysis and confirmation of the presence of dangerous diseases, an important step in protecting deployed service members and Americans who are fighting a war in their own back yards.

Naval Medicine also provides the most visually recognizable healthcare facility in the world - the military treatment facilities Comfort and Mercy aboard the distinctive white with red-crossed hospital ships. These ships are symbols of life saving and caring that also send a clear message to our enemies: We are committed to our mission, and are prepared to take care of the casualties we are willing to suffer to accomplish it.

To ensure Naval Medicine's ability to execute its mission under any circumstances, Naval Medicine established its own office of Homeland Security, which has executed strategic plans to ensure highest emergency preparedness in our Naval Military Treatment Facilities: enhanced emergency training for medical personnel; emergency preparedness assist visits; and pharmacy emergency preparedness, to include stockpiling of essential medications.

The primary focus of these actions - and the focus of all of Naval Medicine's actions - is Force Health Protection, which are summed up in four umbrella categories:

- Preparing a healthy and fit force that can go anywhere and accomplish any mission that the defense of the nation requires of them,
- Go with our men and women in uniform to protect them from the hazards of the battlefield,
- Restore health, whenever protection fails, while also providing outstanding, seamless health care for their families back home, and
- Help a grateful nation thank our retired warriors with TRICARE for Life.

Naval Medicine balances all these actions to make force health protection work and see that all our beneficiaries get the outstanding healthcare they deserve.

Naval Medicine does face challenges, such as expanded healthcare benefits that do not necessarily influence readiness, the unpredictable growing use of TRICARE by our retirees, fencing of sector funds that don't necessarily provide the most economical use of DHP dollars, and the struggle to fully man critical communities within Naval Medicine. But with your continuing support, I know that we can ensure that we provide world-class healthcare to our service members and their families while maintaining vigilant stewardship of the taxpayer's dollars.

#### **Defense Health Budget for FY 2004**

One of Naval Medicine's greatest challenges is to meet the healthcare needs of its beneficiaries – active duty, retiree, family members and eligible survivors – within the realities of a limited budget. Nation-wide, healthcare costs are now increasing at the fastest rate in the last decade. Healthcare inflation continues to exceed inflation in other sectors of the economy. Utilization of healthcare services continues to increase as technology advances results in effective new – albeit sometimes costly – treatments and longer life spans.

As the news of TRICARE's quality and effectiveness spreads, and as the costs of other insurance programs rises, more and more retirees under 65 are dropping their other health insurance and relying on TRICARE. From the trends of the past few fiscal years, it's estimated that in FY 2004 there will be a seven percent increase in this population.

DoD has ongoing programs that help control health care cost increases, such as building cost control incentives to managed care support contracts and competitively awarding these contracts for best value, and ensuring the pharmaceuticals delivered in our Military Treatment Facilities and through the TRICARE Mail Order Pharmacy Program are procured through using discounted federal government pricing. DoD and Naval Medicine management programs have also been utilized to ensure that healthcare provided to beneficiaries is reviewed for clinical necessity and appropriateness.

Naval Medicine has worked hard to get the best value from every dollar Congress has provided, but your assistance is need to restore the flexibility to manage funds across activity groups. Fencing sector funds prevents transfer of funds from MTFs to the private sector, but also prevents transfer of private sector funds to the MTFs. This fencing prevents funding MTFs to increase their productivity without the burden of prior approval reprogramming, which can take anywhere from three to six months. The T-NEX contract, with its incentive to move care into MTFs, makes having this flexibility all the more vital.

#### **Growth in Medicare-Eligible Retiree Accrual Fund**

The FY 2001 National Defense Authorization Act (NDAA) significantly expanded the DoD health care benefits for Medicare eligible military retirees, their family members and survivors. TRICARE for Life makes good on the promise to military retirees of healthcare in their later years. In FY 2003, the "DoD Medicare Eligible Retiree Health Care Fund" (MERHCF) was established to ensure adequate resources to pay for this health care. Accrued and future liability of military treatment facility care, purchased care, and pharmacy costs for TFL participants will be paid through the fund.

Beginning in FY 2003, Naval Military Treatment Facilities have received prospective payments for care for Medicare-eligible retirees based on their historical workload levels performed for inpatient care, outpatient care, and pharmacy for this population from the



MERHCF. Current plans for reconciliation, based on actual execution performance, will be used to determine future MTF prospective payments from the Fund

### **Transition to The Next Generation of TRICARE Contracts**

TRICARE Next Generation has provided sweeping improvements in its provision of TRICARE Benefits under contracting initiated this fiscal year. While there will be no significant benefit changes, it simplifies the old contracts, and provides performance incentives and guarantees. It also distinguishes health plan management, which includes such activities as financing, claims, payment rates, marketing, and benefit design, from healthcare delivery. Some major elements of the old TRICARE contracts have been shifted out into separate contracts to allow companies with excellent competencies in these contract areas to provide even better service and quality healthcare.

The most obvious change is the transition from 12 regions to three, and enhancing leadership in each region by putting a Flag, General Officer or SES as director. This is a significant step in transforming TRICARE. These Regional directors have a key role in enhancing participation of providers in TRICARE and in implementing the plan to improve TRICARE Standard for those who choose to use it, and will also be responsible for integration of military treatment facilities with civilian networks, ensuring support to local commanders and overseeing performance in the region. The first director to be selected is Rear Admiral James A. Johnson, Medical Corps, who is already on board in the TRICARE West Region.

Medical commanders within these regions will also have an enlarged role and additional responsibilities under the new contracts, with the focus on accountability. Commanders will take on responsibilities formerly managed by the TRICARE contractor, including patient appointing, utilization management, use of civilian providers in military hospitals, and other local services.

The transition to the new TRICARE contracts in TRICARE West is going well, and I believe will provide an opportunity for Naval Medicine to serve its beneficiaries better while controlling healthcare costs.

### **Adequacy of TRICARE Provider Networks**

TRICARE beneficiaries are highly mobile, and their healthcare needs can change on short notice. Generally, the available network provides outstanding healthcare, but there can be "gaps" in isolated areas, or when there's a unique event that interrupts healthcare, such as the accelerated closure of a medical facility, as was the case in Puerto Rico, when U.S. Naval Hospital Roosevelt Roads closed.

Deployment of Naval Medicine personnel in support of Navy operations also has the potential of affecting TRICARE provider network adequacy. To date, the networks have been able to meet beneficiary needs, even in the absence of naval hospital providers.

The next generation of TRICARE contracts will also place new responsibility on each Regional director to attract participation by providers into TRICARE. The director will also ensure tighter integration of the civilian networks and the military treatment facilities. The result will be a more complete network and more seamless healthcare for the beneficiary.

### **DOD/VA Resource Sharing and Coordination: Status on Implementation of Presidential Task Force Recommendation**

Naval Medicine continues to support Presidential Task Force recommendations to pursue sharing collaboration with the Department of Veterans Affairs to optimize the use of federal health care resources. I believe our progress is one of Naval Medicine's great success stories. Site-specific sharing initiatives, including in the key geographical areas as directed by the FY 2002 and FY 2003 Defense Authorization Acts, are occurring and continue to be developed.

Naval Medicine currently has 54 medical agreements, 34 Reserve agreements, 24 Military Medical Support Office agreements, and 13 non-medical agreements with the Department of Veterans Affairs. Naval Medicine has also partnered with the Department of Veterans Affairs on five medical facilities construction projects. These are:

- Naval Hospital Pensacola FL. This joint venture outpatient facility will be built on Navy property, and the VA will fund the project, and provide Naval Medicine with 32,000 square feet. This will be a replacement facility for Naval Medicine's aging Corry Station Clinic. Negotiations are underway to select the site.
- Naval Hospital Great Lakes, IL. A FY 2007 construction start has been proposed to build a separate Navy/VA Ambulatory Care Clinic near the Naval Training Command. Full integration planning has begun, with facility and site analysis to follow. Additionally, the North Chicago Department of Veterans Affairs Medical Center will be available to the Navy for specified services with the Department of Veterans Affairs funding modifications of its surgical suites and urgent care facilities.
- Naval Hospital Beaufort, SC. A tentative FY 2011 construction start has been planned for a replacement hospital. The Department of Veterans Affairs currently operates a small clinic within the existing hospital, and is expected to be a partner in developing the replacement facility.
- Naval Ambulatory Care Clinic Charleston, SC. A FY 2005 construction start has been planned for a replacement clinic aboard Naval Weapons Station (NWS) Charleston. Navy has offered the Department of Veterans Affairs the options of an adjacent site onboard NWS or the take-over of the existing NWS clinic. The Department of Veterans Affairs is studying these options with a final decision yet to be made.
- U.S. Naval Hospital Guam. A FY 2008 construction start is planned for replacement of the current hospital. The Navy has offered the Department of Veterans Affairs a site for nearby freestanding community-based outpatient clinic. It's proposed that the Department of Veterans Affairs will fund the clinic, roads and parking, and will continue to utilize Navy ancillary/specialty care.

Other examples of partnerships that show the depth and variety of our collaboration include the development of uniform clinical practice guidelines for tobacco use and diabetes last year, and development of hypertension and low back pain guidelines scheduled for this year. Asthma guidelines are projected for revision next year.

In the works is a VA/DoD agreement that would permit the use of North Chicago VA Medical Center spaces to establish a center to manufacture blood products in exchange for the use of these blood products. This agreement would alleviate the necessity for Naval Medicine construction costs for a new center at Naval Hospital Great Lakes. An agreement between the Bureau of Medicine and Surgery and the Department of Veterans Affairs headquarters to share each other's "lessons learned" databases being developed.

Aggressive investigation of other mutually advantageous resource sharing possibilities is on-going at all Naval Medicine facilities with the focus of providing both of our beneficiary populations the outstanding healthcare they deserve.

### **Healthcare for Reservists and Implementation of NDAA FY 2004 Benefits**

The Emergency Supplemental Appropriations Act and the National Defense Authorization Act of Fiscal Year 2004 authorized new health benefits, some permanent and others temporary, for Reservists to improve readiness and enhance access to care for Reservists and their families.

These new temporary benefits include 90 days of pre-mobilization TRICARE medical and dental coverage for Reservists and their families should the Reservist be activated more than 30 days; extension of eligibility for TRICARE benefits to 180 days for Reservist and their families, and TRICARE benefits to Reservists and their family members who are either unemployed or employed but not eligible for employer-provider health coverage. These temporary provisions end on Dec. 31, 2004.

Reservists will benefit from the establishment of a benefits counselor specifically for Reservists in each TRICARE region. One of the most significant problems Naval and Marine Corps Reservists had when they were mobilizing and demobilizing was understanding how to access seamless healthcare for themselves and their family. Naval Medicine has aggressively addressed this problem, and the presence of dedicated benefits counselors will further enhance the transitions.

In addition to the enhanced TRICARE benefits the Department offered to activated Reserve Component members and their families during FY 2003, the National Defense Authorization Act of 2004 included even more new benefits. Because the new reserve health program is temporary, it offers us the ability to assess the impact of these benefits after the trial period. We will review the effects of these programs on reservists and their families as they transition to and from active duty and look at the overall effect on retention and readiness. We have concerns that health care benefits will be enhanced permanently before a full assessment of the impact can be completed, as well as concerns over the potential cost of the new entitlements for reservists who have not been activated. Consideration must also be given to the impact on the active duty force if similar health care benefits are offered to reservists who are not activated. The Office of Management and Budget, the Department of Defense, and the Congressional Budget Office are working together to develop a model and a resulting five-year cost estimate to price the proposal to expand TRICARE health benefits for all reservists without regard to employment, medical coverage, or mobilization status as proposed in the Reserve and Guard Recruitment and Retention legislation. Preliminary results indicate that this could range from \$6 billion to \$14 billion over five years. Final scoring of this proposal should be completed by the end of March.

### **Reserve Component Use of the Federal Strategic Health Alliance (FEDS-HEAL)**

Naval Reserve Medical Corps, Dental Corps and support personnel perform medical and dental exams for Naval Reservists to support their medical readiness needs. Unlike the Army Reserve and National Guard, the Naval Reserve has at least one medical unit at each of its Naval Reserve Activities that makes it possible to provide this support. At present, Naval Reserve medicine is capable of providing adequate medical readiness support for its Marine Corps and Naval Reservists.

The Federal Strategic Health Alliance, or Feds-HEAL, Program, consists of agreements between the Army Reserve Component, Department of Veterans Administration and Department of Health and Human Service's Division of Federal Occupational Health. Services provided include immunizations, medical and dental exams. The Army Reserve has used this program since 2000.

#### **DHP Reforms - DOD Healthcare Quality Initiatives Review Panel**

The Healthcare Quality Initiatives Review Panel, chaired by Dr. Alfred S. Buck, released a comprehensive report that addressed the panel's 17-month-long study that made four recommendations that they felt would improve the quality of military medicine. They are:

- Implement a unified military medical command, to achieve stability and uniformity of healthcare processes and resources acquisition, and manage an error reduction and safety program bases on root cause analysis, system process redesign, responsive resource management and provider education.
- Attain comparability of oversight and accountability across the TRICARE spectrum including both the direct care and purchased care components.
- Expand and refine credentials management for all healthcare professionals in the Military Health System to enhance oversight, accountability and career management and support of implementation of development experience with a centralized, federal interagency credentials repository.
- Install a robust comprehensive data system capable of measuring and monitoring quality outcomes, resource utilization and healthcare costs.

The panel makes compelling arguments for these changes that I generally support; however, a joint command with representation from each of the Services' Medical Departments, would appropriately define an organization that centralizes control of assets without impinging on the basic prerogatives of each service. Work is underway in the other three areas to ensure ongoing enhancements to the quality of military medicine.

#### **Beneficiary Group Concerns**

One of Naval Medicine's most important concerns is beneficiary satisfaction with their healthcare. It constantly surveys its beneficiaries, and takes any criticisms it received extremely seriously. It is our intention to ensure all our patients, from their birth through retirement, get the world-class healthcare they are entitled and deserve.

Beneficiary groups have been straightforward and articulate in their concerns about their TRICARE benefit. For the most part, they are the same as healthcare recipients everywhere - access to healthcare, increasing out-of-pocket costs, gaps in coverage, and communication matters in understanding the benefit. As DoD Health Affairs and Naval Medicine work to control costs, yet retain world-class healthcare for all, some may see modification in the way they access their benefit. Instead of seeing a military healthcare provider at a military treatment facility, they may see a civilian provider downtown. Instead of picking up a 90-day supply of their medications at their nearest military pharmacy, they have them delivered to their homes through the mail for \$3 for a generic drug or \$9 for brand name pharmaceutical.

#### **Conclusion**

Naval Medicine has been extraordinarily successful in accomplishing its mission over the years, and with your support, the military benefit has become one of the most respected



healthcare programs in the world. We know from Navy's quality of life surveys that among all enlisted personnel and female officers, the number one reason these service members stay Navy is the exceptional healthcare benefit.

You have allowed us to provide our service members, retirees and family members a benefit that is worthy of their sacrifices, and clearly articulates the thanks of a grateful nation for their selfless service. With your support, we have opportunities for continued success, both in the business of providing healthcare, and the mission to supporting deployed forces and protecting our citizens throughout the United States.

In just a few short months, I will leave this office, and will retire after serving more than 32 years in the United States Navy. I wish to thank this committee for its support to Naval Medicine, and to me during my time as the Navy's Surgeon General. It has been a privilege to serve.

**DEPARTMENT OF THE AIR FORCE**  
**Presentation to the Committee on Armed Services**  
**Subcommittee on Total Force**  
**United States House of Representatives**

**SUBJECT: DoD Health Program**

**STATEMENT OF: Lieutenant General (Dr.) George Peach Taylor Jr.**  
**Air Force Surgeon General**

**DATE: March 18, 2004**

Mister Chairman and members of the Committee, it is a pleasure to be here. When we last met, I described how our transformation efforts were saving lives during combat operations in support of the war against terrorism. The week before my testimony, we had just begun combat operations in Iraq. Now, a year later, major combat in Iraq has ended, but the mission and danger continue. Although many of my comments here today address the Air Force Medical Service's contribution to combat operations, I assure you that the care we provide to families and retirees is still of great importance. It continues to improve even as we are engaged in operations around the globe.

And, of course, we truly *are* engaged around the globe. Like our sister services, every step in our transformation is to advance our ability to operate worldwide with lightning speed. This is reflected in the Air Force's six Concepts of Operation, or CONOPS. CONOPS are a statement of our desired end result, or effect, that the Air Force brings to the battle. The first three are Global Mobility, Global Strike, and Global Response. The others are Nuclear Response, Homeland Security and finally Space and Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance. That's a mouthful, so we refer to it as Space-C4ISR. The medics provide fundamental support to all six.

Global Mobility, Strike, and Response CONOPS require the AFMS to provide medical care anywhere at any time to support humanitarian and warfighting operations. This demands that our medics travel fast and far, so they pack light, very light. Some of our Expeditionary Medical System medics travel with just a 70-pound pack. One small 5-person team carries enough to perform 10 life-saving surgeries in the field under battle conditions. And our aeromedical evacuation capabilities permit us to quickly fly into hostile environments, pluck injured members from the field, and fly out, often providing critical care in flight.

The Air Force's Nuclear Response CONOPS provides a deterrent umbrella under which our conventional forces operate. Medics support this CONOP by ensuring that commanders can rely on the medical and psychological health of the human element of the nuclear force. We also develop plans for the care of casualties and refugees in a radiological event of a terrorist or national origin. We assess health hazards and provide recommendations to protect responding personnel or our combatants within any hazardous zone.

The Homeland Security CONOPS recognizes that if someone attacks our homeland again, Air Force medical personnel will be an invaluable asset bringing a wealth of manpower and expertise to the crisis. In such a contingency, our base clinics and hospitals become part of the local health care disaster network. They offer their ability to help local authorities detect and identify chemical, biological, and nuclear weapons, and we aid in the treatment of those exposed to them.

The final CONOPS, Space-C4ISR, serves to integrate the other five. Simply put, it is the network of intelligence, sensors, satellites, and communications that allow us to orchestrate our forces worldwide. Every unit and every function of the Air Force is tied into this capability. Each contributes information to it and uses information from it. Air Force medics use this capability to monitor health threats worldwide, to coordinate care from combat to CONUS, and to maintain visibility of our patients no matter where they are within the joint medical system.

We have now been in Iraq over a year. The AFMS has used this time to review its performance there through a Capabilities Review and Risk Assessment -- a process that drives a hard look at our performance -- from this process we learn what we did right; and what we can do better. These lessons learned help to hone our four central AFMS capabilities of:

- Ensuring a fit and healthy force
- Preventing illness and injuries
- Providing care to casualties
- And enhancing human performance.

#### 1. **Ensuring a Fit and Healthy Force**

The first capability we provide the Air Force is that of ensuring a **fit and healthy force**. Unhealthy troops cannot deploy. A commander who is short of troops cannot fight; cannot win. We keep troops healthy so commanders can do both.

While providing a fit and healthy force is ultimately every commander's responsibility, the AFMS plays a critical role in defining what is fit, what is healthy . . . how do we get them that way, how do we keep them that way.

Once recent step is the implementation of the Air Force Chief of Staff's revised fitness program -- a significant change in fitness standards and how we monitor them. The program is now based upon push-ups, sit-ups, and a mile-and-a-half run. To this we add body composition measurements and a strong focus on unit exercise programs. This model includes the Guard and Reserve who must meet the same standards as their active duty counterparts.

The program is only a couple months old, but we know airmen accept and appreciate it. They must like it -- I find it much harder lately to find an open weight bench at the gym, so I know first-hand that our troops are enthused about the program.

Fitness results will be available on the Air Force's secure web to commanders and leadership, allowing them to know in near real-time what percentage of our troops are fit to fight.

Of course, our dedication to health goes far beyond a yearly fitness test. We employ a life-cycle approach to care. We surround troops with continual health monitoring and evaluations from the day recruits first put on an Air Force uniform, during every visit to the in-garrison or expeditionary clinic or hospital throughout their career, and especially during their transition to veteran status. We honor our commitment to our retirees; we are there.

An important tool of ensuring a fit and healthy force has been our Preventive Health Assessment program. It ensures that *at least* once a year, every Airman has an assessment for changes in his or her health and for needed health screening or immunizations, and has the opportunity for a medical exam, if needed.

Additionally, preventive health assessments are provided before members deploy and immediately upon their return. Such screenings were an interest item for both the DoD and Congress last year. We are pleased to report our success. For the 61,000 Air Force personnel deployed from March 1 through December 31, 2003,

- 99% completed their post-deployment health assessment--which included a face-to-face appointment with a medic--and
- 97% had serum samples collected for submission to DoD repository



The medical information from all screenings and appointments is captured in an innovative information system called the **Preventive Health Assessment and Individual Medical Readiness** program, or PIMR. PIMR data, like that of our new fitness program, are available on the web to Air Force leadership worldwide.

The next version of the Composite Health Care System--CHCS II--is another computer information system that will provide significant benefit to the AFMS as well as the entire DoD health care. Even in its current decade-old form CHCS is an amazing system. It captures every visit, prescription, lab result, and procedure provided to every patient.

We first deployed CHCS in the late 1980s when computer screens were black and white and a mouse on your desk was cause for alarm. The upgraded CHCS II will have the look and feel of a web site. It will also be faster and easier to learn. More importantly, CHCS II will interface with the numerous other programs that have come on line since it was first introduced. CHCS II marches us down the path toward an electronic medical record that will solve many problems for us, including that of lost or fragmented medical records. Additionally, CHCS II will be deployable, so it will be the same program used in the field and at home.

CHCS II, like its predecessor, will be deployed worldwide, accessed by thousands of users simultaneously, and contain the patient records of up to 8.8 million eligible beneficiaries. It is the largest health information system in the world . . . and an invaluable tool in keeping our troops -- and their families -- healthy.

Once we have assured that only fit healthy troops are sent to the area of operations, we take great effort to ensure they stay that way. This falls to our next capability, that of preventing casualties.

## 2. Preventing Casualties

We are experiencing unparalleled success in the prevention of illness and injury during Operation Iraqi Freedom. A telling example of this success is our **low Disease Non-Battle Injury Rate** -- we call it the "D-N-B-I rate" for short. The DNBI rate describes the percentage of troops who become sick or hurt from things other than enemy activity; things like dental problems, car accidents, the flu, broken bones, etcetera.

Historically, more troops are removed from battle because of accidents or illnesses than from enemy fire. In Operation Desert Storm, the DNBI rate was about 6 percent. During the current Iraqi conflict, only 4 percent (DoD rate) of illnesses and injuries were non-combat related. This is the lowest DNBI rate in history. We seek ways to make it lower yet. One of our doctors in Iraq jokingly suggested that if we were to cancel intramural basketball games in theater we could eliminate many sprained ankles and drop that DNBI rate another percent. The important point is that we continue to address all the challenges -- including sports injuries -- that reduce our combatant capabilities.

Much credit for the low DNBI goes to the preventive health assessments and pre-deployment screenings I mentioned. These allow us to identify personnel with pre-existing or uncontrolled medical problems; conditions that would worsen under the stress of deployment. These folks -- if allowed to deploy -- are a huge source of DNBI. By pulling them out of the deployment line and caring for them back home in-garrison, we not only

decrease the DNBI rate, we also ensure these members get the health care they need to make them worldwide-qualified in the future.

The **Deployment Health Surveillance** program is another critical piece of preventing casualties. Before airmen arrive in large numbers to establish a base in foreign territory, a special team of medics -- called the Preventive Aerospace Medicine, or PAM team -- has already been there. They have surveyed the environment for biological and environmental threats, and have stood up surveillance equipment to detect and identify such threats.

When it comes to total "battlespace awareness," PAMs and another EMEDS team called the Biological Augmentation Team, or BAT team, are invaluable. These teams take on the same importance as the radar, intelligence, and security specialists whose mission it is to detect, identify, and deter enemy attacks. In the same manner that a radar operator surveys the skies for threats, our medics survey the environment with equipment to detect chemical, biological, radiological or nuclear--CBRN--threats. In combat, speed counts. That radar operator must detect the presence of an airborne object and then quickly identify it -- friend or foe. The sooner that operator can do both, the faster we can react -- the safer our people are. In the same way, our teams and their equipment act quickly to detect, identify, and counter CBRN threats.

For example, it used to take up to a week to detect and confirm the presence of dangerous biological and chemical weapons -- too long. Imagine a biological agent loose in one of our bases in Iraq for a week before we were able to identify and contain it. Even the most conservative estimates predict that 30 percent of our troops would become seriously ill or worse.

With RAPIDS technology, we eliminate the deadly delay between the time a pathogen is released and when we become aware of its presence. The aptly named RAPIDS stands for the Rapid Pathogen Identification Systems; a fielded and proven system that can determine the identity of pathogens within a few hours; much better than 4-to-7 days it used to take. Using new genome-based technologies, we hope to reduce the time even further.

Another tool in the Air Force Medical Service toolbox is the Global Expeditionary Medical System, or GEMS. This rugged, laptop-based system serves as a deployable, electronic medical record for every patient encounter in the combat zone. To date, it has logged nearly 107,000 patient encounters in Afghanistan and Iraq. But it does more than that. It also tracks chemical, physical, and radiological hazards and even tracks the results of food inspections and living conditions in the field. GEMS provides commanders a theater-wide overview of the health of their forces. Its sophisticated epidemiology tracking features allow it to identify potential disease outbreaks very early in the courts of outbreaks or a chemical or biological attack.

I have described systems and processes we have in place that ensure oversight of our airmen's health before they deploy, while they are in the field and even after they return. But we must remember that combat is inherently dangerous. In spite of our best efforts to prevent it, some of our troops will fall ill, and some will be wounded. Thus the critical need for our third capability; that of restoring the health of the sick or injured -- casualty care.

### 3. Casualty Care

We have completed the conversion of our large-footprint field medical facilities into small, rapidly deployable Expeditionary Medical System--or EMEDS-- units. Our performance in Iraq validates that the EMEDS concept works. It saves lives.

These units can be found throughout the area of operations. They often provide care from the point of injury, at tented facilities removed from the front, and during aeromedical evacuations as they transport the patient from the theater entirely. When the UN Building in Baghdad was car bombed last August, killing 20, EMEDS surgeons and their staff were only minutes away, and cared for numerous injuries on the spot.

Shortly before the start of combat operations in Iraq we added a new capability to EMEDS; hoping against--but preparing for--Iraq's potential use of chemical weapons, we created EMEDS Supplemental NBC Treatment Modules--or NBC pallets, as our troops call them. Each module contains 25 ventilators and medical supplies to care for 100 radiological, biological, or chemical casualties. I find it extraordinary that it took only 30 days for these packages to mature from the concept stage until the first pallet was loaded onto an aircraft for delivery.

While NBC pallets provide the tools to treat NBC casualties, the EMEDS' hardened tents and infrastructure offer a protective shelter in which our medics can render that care. Each can be equipped with special liners and air handling equipment that over-pressurizes the tents' interiors. Clean, filtered air is pushed in; contaminated air is kept out. Protected water distribution systems work the same way, ensuring a safe, potable water supply even in contaminated environments.

I continue to be impressed with the enabling technologies that permit the development of things like Push Pallets or advanced air and water-handling systems. During operations in Iraq we have relied on these and other technical marvels, like a lap-top sized ultrasound machine, a ventilator unit the size of a football, and a chemistry analyzer that--during Desert Storm--required its own tent; now it fits in the palm of your hand. Our people are saving lives with these technologies around the globe as we speak. There are EMEDS operating in Iraq and 11 other countries in support of Air Force operations.

Operation Iraqi Freedom also validated our new aeromedical evacuation concept of operations. A significant advancement in this mission is our ability to take advantage of back-haul aircraft, which has tremendously accelerated the aeromedical evacuation process. This has eliminated the need for patients to wait days for a designated C-9 or C-141 aeromedical evacuation mission to pass through their area. Patient Support Pallets -- or PSPs -- make it far easier to turn any Air Force mobility aircraft into an aeromedical evacuation platform. PSPs are a collection of specially packed medical equipment that can be installed into cargo and transport aircraft within minutes. The plane that just landed to deliver weapons is quickly converted to carry wounded patients.

Let me share with you an example of PSPs work . . . in Baghdad, a 5-year-old, deathly ill Iraqi girl was brought to one of our allied locations. She was scheduled to fly to Greece for medical treatment. Her condition was so poor that upon arrival at the clinic she was placed on a ventilator. Doctors determined she was too ill to survive and she was removed from the flight. One of our nearby medics heard of the situation. He determined

that leaving that little girl behind to die was simply not an option. He, and other members of his Aeromedical Evacuation team, grabbed one of our PSPs--we have 41 of them strategically placed around the globe--and within an hour had converted a section of the Greek aircraft into a small critical care bay. Their precious cargo was loaded--with her ventilator--and she was flown to Greece to receive care. We are the only country in the world that can do this on a regular and sustained basis for our military personnel.

This demonstrates that PSPs allow us the flexibility to convert not only our own aircraft into AE platforms, we can also take advantage of our allies' aircraft. This dramatically increases the availability of aeromedical evacuation opportunities to our troops. It's like one of our medics told me: "If it flies, and we have elbow room, we can do our thing. Our thing is saving lives."

The medic I spoke of is a member of one of our Critical Care Air Transport Teams. We call them CCATS. These CCAT teams are comprised of a physician, a nurse, and a cardiopulmonary technician. They are specially trained to work side-by-side in the air with our aeromedical evacuation crews to provide critical care under the extremely difficult environment of flight.

Recently, one of our aeromedical evacuation crews augmented by a CCAT team flew into Baghdad on a C-130, under black-out conditions and while taking fire to retrieve three severely wounded soldiers. These troops, too, needed ventilators to help them breathe. They were quickly loaded and even before the aircraft could take off again, our CCAT teams were providing life-saving care to their patients. While in the air, the aircraft was diverted to Talil where U.S. forces had come under attack. Two more men were critically wounded there and needed immediate aeromedical evacuation. Both of these troops also required ventilators.

All five soldiers were flown that night to an Army medical facility in Kuwait. The Air Force medics on that mission are proud of their accomplishment--never before, or since, has there been a combat AE mission in which a team cared for five patients on ventilators in one aircraft. I'm proud of them, too. Without the AE concept and the skills our medics brought to the theater, each of those five soldiers would have succumbed to their injuries.

Another enhancement to our aeromedical evacuation capabilities is the placement of an AE cell in the Air Operations Center. This permits the smooth integration of our actions with all other DoD or allied air operations in the theater. The story of Private Jessica Lynch's rescue provides a famous example of how all these assets--the AE cell, aeromedical evacuation crews and CCATS, patient support pallets, and the use of backhaul aircraft--all come together in a successful operation. Following her retrieval from the Iraqi hospital, Army medics, Air Force Aeromedical Evacuation troops, and Special Operations members transported her thousands of miles, used three different aircraft, and provided care in the air during her entire journey until she reached the safety of an Army hospital in Landstuhl, Germany. All this was accomplished in less than 15 hours.

Like so many of our missions, Jessica Lynch's AE mission could not have been accomplished without the near-seamless integration of our sister services. Medical and AE operations serve as the perfect example of the joint application military capabilities.

I also must give praise to the backbone of our AE capability, our Guard and Reserve. Fully 87 percent of our AE structure is Air Reserve Component members. They



have assisted their active duty counterparts in transporting over 13,700 patients from OEF and OIF, of which about 2,300 were urgent or priority missions.

As I hope I have made clear, EMEDS capabilities span the geography of operations from the farthest forward immediate surgical capability, throughout the area of operations, to include aeromedical evacuation to facilities around the globe. EMEDS has vastly improved how we care for casualties, but we still face challenges. Perhaps one of the most significant of which is caring for victims of weapons of mass destruction.

Although this country has recently seen two bio-chem attacks -- the anthrax attack two years ago, and the fortunately unsuccessful ricin scare of January -- we have yet to experience a large scale Weapons of Mass Destruction attack. Therefore, we can never know just how successful our response to such an attack will be. I guarantee our response would be superior to any other nation's on earth--but we always strive to expand the envelope of our nation's capability.

To enhance our response even more, AFMS personnel are implementing Code Silver. Code Silver is a program that offers tabletop exercises emphasizing biological and chemical warfare responses by our medical facilities. We will focus on how our facilities interact and relate to the rest of the base and with the local civilian community. Forty Air Force medical facilities and the communities surrounding them will participate in Code Silver exercises in 2004.

The fourth and critical capability we bring to the warfighter is the enhancement of human performance.

#### **4. Enhance Human Performance**

As the size of our military decreases and the capability of each individual platform increases, the relative importance of every individual also increases. Today's airman receives superior training so that they can maintain and operate the most sophisticated equipment and weapons systems in the world. But the stress and exhaustion of combat operations leads to fatigue. Fatigue dramatically erodes the Airman's ability to react quickly and think clearly. It eliminates the intellectual and technological advantages we bring to the battle.

Commonly used methods of combating fatigue involve careful studying of our airmen's mission schedules, their diets, sleep patterns, even their biorhythms, to mitigate the impact of drowsiness upon their missions. These are all important to maintaining wakefulness, because at the very least, fatigue degrades mission performance. At the very worst, it kills. In battle, fatigue is a deadly enemy.

We also find we can enhance human performance by enhancing vision. We do so through corneal refractive surgeries--commonly known as PRK and LASIK. These procedures are provided to non-flying and non-special duty airmen. We began offering them after an exhaustive literature review and extensive expert conference conclusions revealed that the operations are, indeed, safe, effective, and potentially cost-saving. In the near future these procedures will be offered to some aviators and special duty members. We continue to study corneal refractive surgeries to see what the effects of time or the stresses of the cockpit -- like pressure changes and jarring -- have on our flyer's eyes. The

results thus far are highly encouraging. One thing is for sure, they are very highly desired by our troops.

Good eyesight is, of course, critical to our forces. An enemy who can temporarily or permanently blind one of our troops will have succeeded in removing that Airman from combat. One method for inflicting such an injury is through directed energy, or lasers. In the little-more-than 40 years since the laser's invention, it has grown from something found only in a few science labs and an occasional James Bond movie, to a technology so common that one can find lasers in every supermarket scanner, in DVD players; and I have even seen them sold as cat toys. Lasers are also weapons -- and are capable of injuring or destroying eyesight. The proliferation of lasers poses a growing threat to our pilots and troops.

In response to this challenge, we have created protective eyewear and faceplates that absorb and deflect laser light. The devices save our pilots from damaging and potentially permanent eye damage from these weapons. We continue to study ways to detect the presence of lasers in battlespace and methods for protecting our men and women against them.

Another challenge we encounter in enhancing human performance is our need for ever-increasing amounts of information and communication; especially that which flows between our EMEDS troops on the ground, our aeromedical evacuation crews in the air, and our medics in permanent facilities who receive patients from the area of operations. Our success at converting any transiting mobility aircraft into an aeromedical platform outpaced our ability to create the information systems to track the patients using them. It is difficult to keep oversight of the location and condition of thousands of patients on a worldwide scale.

Fortunately, the U.S. Transportation Command Regulating and Command & Control Evacuation System or TRAC2ES [*Tray-suhs*] is helping us overcome that challenge. TRAC2ES is a DoD information system that allows us to track the location and status of patients from the moment they enter the aeromedical evacuation system in the theater of operations, as they fly to a higher level of care, until they are safely back in a garrison medical facility.

I have described some of what we learned during current operations in Iraq, but before closing, I would like to mention a few our successes here on the home front.

### **The Home Front**

We are always developing avenues to provide great and cost-effective care. One way to do so is to seek out partners who share our dedication to the care of patients and can join us in a better way of doing business. We continue to strengthen just such a relationship with our partners at the Department of Veterans Affairs. Of the seven current Joint Ventures between the DoD and VA, four of them are at Air Force medical facilities: Elmendorf in Alaska, Travis in California, Kirtland in New Mexico, and Nellis in Nevada.

These are not the only locations in which the VA and DoD work together to provide care. We are pursuing several additional Joint Venture locations and already have nearly

140 sharing agreements between the Air Force and VA throughout the United States. These are great examples of partnering with the VA.

We are also developing the exciting possibility of expanding the traditional concept of Joint Ventures to other major healthcare institutions. For example, we believe that a unique three-way joint venture between the DoD, VA and the University of Colorado Hospital will be a cost-efficient way of caring for all our beneficiaries. This concept is receiving not only strong support from DoD leadership and local VA officials, but also all of the Colorado Veterans organizations and the Colorado state congressional leadership.

#### **Next Generation TRICARE Contracts**

We are passionate about our mission and confident of continued success, yet there are some uncertainties in the future that warrant mention. As you know, the DoD is in the process of fielding new contracts to replace our original TRICARE contracts. This transition is the focus of a great deal of management attention. Our ability to smoothly change contractors and governance will be closely watched by our stakeholders. Not only will there be just three TRICARE regions, revised financing will be expanded nationwide.

This is a methodology to place the entire costs of a TRICARE enrollee's care in the hands of the local Medical Group Commander. She pays the private sector care bills as well being responsible for the direct care system -- that care we provide to our enrollees in our Air Force clinics and hospitals. Revised financing has proven to be an effective tool in those regions where it is currently being used. This is an important advance, leveraging what we've learned in allowing the Commander to select the most effective and most efficient location for health care. So, the dollars allocated to the direct care system are critical, but just as critical are the dollars allocated for revised financing. With this in mind, two-way flexibility between the private sector care and direct care accounts is necessary for revised financing to function successfully. The Air Force appreciates the congressional intent to protect direct care funding, but we recommend that the FY 2005 Defense Appropriations Act language remove the separate appropriation for Private Sector Care to allow the flexibility to move funds to wherever care is delivered without a Prior Approval reprogramming.

#### **Budget**

For FY 2004, the Congress's budget adequately funds our direct care system. However, we do have challenges with the private sector care budget -- the health benefits purchased from civilian providers for our TRICARE beneficiaries. The TRICARE Management Activity (TMA), not the Services, manages all of these funds to include those for Revised Financing.

Two issues will pose significant fiscal challenges as we try to estimate what our private sector care costs will be.

The first issue is the increased use of TRICARE. TRICARE offers a very comprehensive benefit. With civilian healthcare plans raising co-pays and cutting back on benefits, more retirees are dropping their civilian healthcare and are relying exclusively on TRICARE. As more people opt for our health care program, costs for the entire TRICARE benefit rise. Correctly forecasting this cost is crucially important and placed pressure on the Department to handle these increases.

In addition to the enhanced TRICARE benefits the Department of Defense offered to activated Reserve Component members and their families during FY 2003, the National

Defense Authorization Act of FY 2004 included even more new benefits. Because the new reserve health program is temporary, it offers us the ability to assess the impact of these benefits after the trial period. We will review the effects of these programs on reservists and their families as they transition to and from active duty and look at the overall effect on retention and readiness. We have concerns that health care benefits will be enhanced permanently before a full assessment of the impact can be completed, as well as concerns over the potential cost of new entitlements for reservists who have not been activated.

Consideration must also be given to the impact on the active duty force if similar health care benefits are offered to reservists who are not activated. OMB, DoD and CBO are working together to develop a model and a resulting five-year cost estimate to price the proposal to expand TRICARE health benefits for all reservists without regard to employment, medical coverage, or mobilization status as proposed in the Reserve and Guard Recruitment and Retention legislation. Preliminary results indicate that this could range from \$6 billion to \$14 billion over five years. Final scoring of this proposal should be completed by the end of March.

The influx of retirees and their families and of increased Guard and Reserve beneficiaries have greatly increased private sector care costs, which DoD will meet with internal reprogramming actions.

These bills are a must-pay, and they affect far more than our ability to provide the right care at the right place in the most efficient manner. Care for our military families is not just a medical issue -- readiness is inseparable from family health. It is unmeasurable, but undeniable, that an Airman's physical and mental fitness to deploy is tied to the well-being of his or her family. We must provide our troops piece-of-mind that in their absence their loved ones will have their social, mental, and health care needs met.

A final challenge we encounter in providing care is that of the recruitment and retention of our active duty and reserve component medical professionals, especially physicians, dentists and, nurses. The civilian health care environment offers significantly more attractive financial incentives than the Air Force, and we appreciate your support of recruitment and retention bonuses, special pay programs, and critical tools such as the Health Professions Scholarship Program and the Health Professions Loan Repayment Program. These are vital to our ability to attract qualified professionals and keep them in the Air Force.

### **Summary**

No other military in the world has the expertise, willingness to devote the resources, or the capabilities of the United States when it comes to caring for troops and their families, in times of war or in peace.

One of our medics -- a surgeon -- just returned from four months in Baghdad. He was asked, "What one word sums up your experiences there?" He said, "Satisfied . . . I was caring for people who put their lives on the line for this country. I know that I made a difference. That is satisfying."

It truly is satisfying to make a difference. We do. And we are proud to bring the special skill of Air Force medics to the service of our warriors -- both present and past -- and to their families. I thank you for your continued support of our medical service and our Air Force. We are proud to make a difference, and we are anxious to answer the call again.



**STATEMENT OF  
THE MILITARY COALITION**

**before the**

**Total Force Subcommittee**

**House Armed Services Committee**

**March 18, 2004**

**Presented by**

**Robert Washington  
Fleet Reserve Association  
Co-Chairman, Health Care Committee**

**Sue Schwartz, DBA, RN  
Military Officers Association of America  
Co-Chairman, Health Care Committee**

MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE, on behalf of The Military Coalition, a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful for this opportunity to express the coalition's views on force health protection and pre-post deployment health issues. This testimony promotes the collective views of the following organizations, which represent approximately 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

- Air Force Association
- Air Force Sergeants Association
- Air Force Women Officers Associated
- American Logistics Association
- AMVETS (American Veterans)
- Army Aviation Association of America
- Association of Military Surgeons of the United States
- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Association for Uniformed Services
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Non Commissioned Officers Association
- Reserve Officers Association
- The Retired Enlisted Association
- The Society of Medical Consultants to the Armed Forces
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars
- Veterans' Widows International Network

The Military Coalition, Inc., does not receive any grants or contracts from the federal government.

**Robert Washington, Sr.**  
**Director Legislative Program**  
**Fleet Reserve Association**

Robert Washington, Sr., is Director Legislative Program for the Fleet Reserve Association (FRA). He joined the Association in February 1988 and has been a continuous member ever since. He is a retired Senior Chief Yeoman. Before joining the FRA National Headquarters staff in 1998, he was the Navy's Senior Enlisted Advisor for the Defense Information Systems Agency in Arlington, Virginia.

He enlisted in the United States Navy in December 1971, and served continuously until his transfer to the Fleet Reserve. During his career, he served aboard the USS Strong (DD-758), USS Simon Lake (AS-33), HS-17 onboard USS Coral Sea (CV-43), USS Mount Whitney (LCC-20), and was embarked in COMCARGRU FOUR staff, Norfolk, Virginia. He also served at the following shore duty command: Staff MINERON Twelve, Charleston, South Carolina; PSD, NTC, Orlando, Florida; PSD Crystal City, Arlington, Virginia; Bureau of Naval Personnel, Washington, DC; DISA, Arlington, Virginia. He is also a graduate of the Navy Senior Enlisted Academy, Newport, Rhode Island.

As Director Legislative Program, he works hand-in-hand with The Military Coalition (TMC) and Congress on healthcare issues involving active duty members, reservists, and military retirees and their family members. He is also responsible for communicating with Congress on military compensation, benefit and entitlement issues, writing and presenting testimony, tracking legislation and speaking at FRA legislative seminars. The Coalition represents over five million active duty, reserve, and retired military personnel, and veterans. Washington also serves as co-chairman of TMC's Health Care Committee, as a representative to the Navy and Marine Corps Council, the Department of Defense Healthcare Initiatives Review Panel, and the Uniformed Beneficiary Pharmacy Advisory Panel.

He is presently serving as Regional President East Coast Region, past President of Navy Department Branch 181, Fleet Reserve Association, Arlington, Virginia, past Chairman Central Liaison Committee for the Northern Capitol Region, and past Chairman of the Association's Bylaws and Rules Committee, East Coast Region.

He was born in Charleston, South Carolina, and was raised and educated in that city. He and his wife, Debra, currently reside in Oxon Hill, Maryland; they have two sons and one daughter

**Biography of Sue Schwartz, DBA, RN  
Deputy Director, Government Relations  
Military Officers Association of America**

Sue Schwartz is Deputy Director of Government Relations, Health Affairs at The Military Officers Association of America (MOAA) where she follows health care reform legislation and its potential impact on the military health services system and serves as co-chairman of the Military Coalition's Health Care Committee. In November 2000, Dr. Schwartz joined the staff at MOAA after leaving the National Military Family Association (NMFA) as the Associate Director, Government Relations

Dr. Schwartz has over 19 years experience as a registered nurse in a variety of health care settings, holding positions of staff nurse, Operating Room Educator, Operating Room/Post Anesthesia Care Unit Director, and Quality Improvement Director. Her consultative experience with Allegiance Health Care, Inc., emphasized cost reduction through supply logistics and clinical activities reengineering. She has served as a commissioner on the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans and is a member of the Office of the Secretary of Defense TRICARE Beneficiary Panel.

Her simultaneous education preparation includes: DBA from NOVA Southeastern University, MBA from Auburn University, Montgomery, MSA from Central Michigan University, BS from Springfield College and ADN from Bristol Community College. Dr. Schwartz is a certified operating room nurse (CNOR) since 1989, receiving the Association of Perioperative Registered Nurses (AORN) scholarship awards in 1990, 1991, 1997 and 1998. In addition, she is a member of Beta Gamma Sigma, a national business honorary.

A spouse of an active duty Marine officer, she resides in Northern Virginia.



## EXECUTIVE SUMMARY

**Full Funding For The Defense Health Budget.** The Military Coalition strongly recommends the Subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, including military medical readiness, needed TRICARE Standard improvements, and the DoD peacetime health care mission. It is critical that the Defense Health Budget be sufficient to secure increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

**Pharmacy Cost Shares for Retirees.** The Military Coalition urges the Subcommittee to continue to reject imposition of cost shares in military pharmacies and oppose increasing other pharmacy cost shares that were only recently established. We urge the Subcommittee to ensure that Beneficiary Advisory Groups' inputs are included in any studies of pharmacy services or copay adjustments.

**Permanent ID Card for Dependents Over the Age of 65.** The Coalition strongly urges the Subcommittee direct the Secretary of Defense to authorize issuance of permanent military identification cards to uniformed services family members and survivors who are age 65 and older, with appropriate guidelines for notification and surrender of the ID card in those cases in which eligibility is ended by divorce or remarriage.

**Access to TSRx for Nursing Home Beneficiaries.** The Military Coalition urges the subcommittee to direct DoD to take action to provide outreach and education for beneficiaries attempting to deem nursing homes as TRICARE authorized pharmacy services. In those instances where the residential facility will not participate in the TRICARE program, DoD must be directed to reimburse pharmacy expenses at TRICARE network rates to uniformed services beneficiaries who cannot access network pharmacies due to physical or medical constraints.

**Initial Preventive Physical Examination.** The Military Coalition requests that the Subcommittee take steps to authorize the initial preventive physical examination (Sec 611 of PL 108-173) as a TRICARE benefit for over 65 Medicare-eligible uniformed services beneficiaries.

**The President's Task Force to Improve Health Care Delivery for Our Nation's Veterans.** The Military Coalition asks the Subcommittee to work with the Veteran's Affairs Committee and the Departments of Veterans Affairs and Defense to ensure action on the PTF recommendations including a seamless transition, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessment, and implementation of an electronic DD214.

**TRICARE Standard Improvements.** The Military Coalition urges the Subcommittee's continued oversight to ensure DoD is held accountable to promptly meet requirements for beneficiary education and support, and particularly for education and recruitment of sufficient providers to solve access problems for Standard beneficiaries.

**Provider Reimbursement.** The Military Coalition requests the Subcommittee's support of any means to raise Medicare and TRICARE rates to more reasonable standards and to support measures to address Medicare's flawed provider reimbursement formula.

**Healthcare for Members of the National Guard and Reserve.** The Military Coalition urges permanent authority for cost-share access to TRICARE for all members of the Selected Reserve—those who train regularly—and their families in order to ensure medical readiness and provide continuity of health insurance coverage. As an option for these servicemembers, the Coalition urges authorizing the government to pay part or all of private health insurance premiums when activation occurs, a program already in effect for reservists who work for the Department of Defense.

**Disproportionate Share Payments.** The Military Coalition urges the Subcommittee to further align TRICARE with Medicare by adapting the Medicare Disproportionate Share payment adjustment to compensate hospitals with larger populations of TRICARE beneficiaries.

**Administrative Burdens.** The Military Coalition urges the Subcommittee to continue its efforts to make the TRICARE claims system mirror Medicare's, without extraneous requirements that deter providers and inconvenience beneficiaries.

**TRICARE Prime (Remote) Improvements.** The Military Coalition requests that the Subcommittee authorize family members who are eligible for TRICARE Prime Remote to retain their eligibility when moving to another Prime remote area when the government funds such move and there is no reasonable expectation that the service member will return to the former duty station.

**Coordination of Benefits and the 115% Billing Limit Under TRICARE Standard.** The Military Coalition strongly recommends that the Subcommittee direct DoD to eliminate the 115% billing limit when TRICARE Standard is second payer to other health insurance and to reinstate the "coordination of benefits" methodology.

**Nonavailability Statements under TRICARE Standard.** The Military Coalition requests the Subcommittee's continued oversight to assure that, should the Department of Defense choose to exercise its authority and reinstate NAS requirements, beneficiaries and their providers receive effective, advance notification.

**TRICARE Next Generation of Contracts (TNEX).** The Military Coalition recommends that the Subcommittee strictly monitor implementation of the next generation of TRICARE contracts and ensure that Beneficiary Advisory Groups' inputs are sought in the implementation process.

**Prior Authorization under TNEX.** The Military Coalition urges the Subcommittee's continued efforts to reduce and ultimately eliminate requirements for pre-authorization and asks the Subcommittee to assess the impact of new prior authorization requirements upon beneficiaries' access to care.

**Portability and Reciprocity.** The Military Coalition urges the Subcommittee to monitor the new contracts to determine if the new system facilitates portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

**Health Care Information Lines (HCIL).** The Military Coalition urges the Subcommittee to direct DoD to modify the TNEX contract to make HCIL access universal for all beneficiaries and to develop a plan to provide for uniform administration of HCIL services nation-wide.

**Uniform Formulary Implementation.** The Military Coalition urges the Subcommittee to ensure a robust uniform formulary is developed, with reasonable medical-necessity rules and increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

**TRICARE Benefits for Remarried widows.** The Military Coalition urges the Subcommittee to restore equity for surviving spouses by reinstating TRICARE benefits for otherwise qualifying remarried spouses whose second or subsequent marriage ends because of death, divorce or annulment, consistent with the treatment accorded CHAMPVA-eligible survivors.

**TRICARE Prime Continuity in Base Realignment and Closure (BRAC) Areas.** The Military Coalition urges the Subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for uniformed services beneficiaries residing in BRAC areas.

**TRICARE Retiree Dental Plan.** The Military Coalition urges the Subcommittee to consider providing a subsidy for retiree dental benefits and extending eligibility for the retiree dental plan to retired beneficiaries who reside outside the United States.

**Pre-Tax Premium Conversion Option.** The Military Coalition urges the Subcommittee to support HR 1231 to provide active duty and uniformed services beneficiaries a tax exclusion for premiums paid for TRICARE Prime enrollment fees, TRICARE dental coverage and health supplements, and FEHBP.

**Extended Care Health Option (ECHO).** The Military Coalition recommends the Subcommittee's continued oversight to assure that medically necessary care will be provided to all custodial care beneficiaries; that Congress direct a study to determine the impact of the ECHO program upon all beneficiary classes, and that beneficiary groups' input be sought in the evaluation of the program.

### **HEALTH CARE TESTIMONY 2004**

The Military Coalition (TMC) is most appreciative of the Subcommittee's exceptional efforts over several years to honor the government's health care commitments to all uniformed services beneficiaries. These Subcommittee-sponsored enhancements represent great advancements that should significantly improve health care access while saving all uniformed services beneficiaries thousands of dollars a year. The Coalition particularly thanks the Subcommittee for last year's outstanding measures to address the needs of TRICARE Standard beneficiaries as well as to provide increased access for members of the Guard and Reserve components.

While much has been accomplished, we are equally concerned about making sure that subcommittee-directed changes are implemented and the desired positive effects actually achieved. We also believe some additional initiatives will be essential to providing an equitable and consistent health benefit for all categories of TRICARE beneficiaries, regardless of age or geography. The Coalition looks forward to continuing our cooperative efforts with the Subcommittee's members and staff in pursuit of this common objective.

### **FULL FUNDING FOR THE DEFENSE HEALTH BUDGET**

Once again, a top Coalition priority is to work with Congress and DoD to ensure full funding of the Defense Health Budget to meet readiness needs -- including graduate medical education and continuing education, full funding of both direct care and purchased care sectors, providing access to the military health care system for *all* uniformed services beneficiaries, regardless of age, status or location. A fully funded health care benefit is critical to readiness and the retention of qualified uniformed service personnel.

The Subcommittee's oversight of the defense health budget is essential to avoid a return to the chronic underfunding of recent years that led to execution shortfalls, shortchanging of the direct care system, inadequate equipment capitalization, failure to invest in infrastructure and reliance on annual emergency supplemental funding requests as a substitute for candid and conscientious budget planning.

We are grateful that last year, Congress provided supplemental appropriations to meet growing requirements in support of the deployment of forces to Southwest Asia and Afghanistan in the global war against terrorism.

But we are concerned by reports from the Services that the current funding level falls short of that required to meet current obligations and that additional supplemental funding will once again be required. For example, we have encountered several instances in which local hospital commanders have terminated service for retired beneficiaries at military pharmacies, citing budget shortfalls as the reason. Health care requirements for members returning from Iraq are also expected to strain the military delivery system in ways that we do not believe were anticipated in the budgeting process.

Similarly, implementation of the TRICARE Standard requirements in last year's Authorization Act -- particularly those requiring actions to attract more TRICARE providers -- will almost certainly require additional resources that we do not believe are being budgeted for.



Financial support for these increased readiness requirements, TRICARE provider shortfalls and other needs will most likely require additional funding.

***The Military Coalition strongly recommends the Subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, including military medical readiness, needed TRICARE Standard improvements, and the DoD peacetime health care mission. It is critical that the Defense Health Budget be sufficient to secure increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.***

**Pharmacy Cost Shares for Retirees.** Late last year, the Office of Management and Budget (OMB) and the Defense Department considered a budget proposal that envisioned significantly increasing retiree cost shares for the TRICARE pharmacy benefit, and initiating retiree copays for drugs obtained in the direct care system. While the proposal was put on hold for this year, the Coalition is very concerned that DoD is undertaking a review that almost certainly will recommend retiree copay increases in FY 2006.

Thanks to the efforts of this Subcommittee, it was less than three years ago that Congress authorized the TRICARE Senior Pharmacy Program (TSRx) and DoD established \$3 and \$9 copays for all beneficiaries. Defense leaders highlighted this at the time as “delivering the health benefits military beneficiaries earned and deserve.” But the Pentagon already has changed the rules, with plans to remove many drugs from the uniform formulary and raise the copay on such drugs to \$22.

Now, there are new proposals to double and triple the copays for drugs remaining in the formulary – to \$10 and \$20, respectively. One can only surmise that this would generate another substantial increase in the non-formulary copay – perhaps even before the \$22 increase can be implemented.

Budget documents supporting the change rationalized that raising copays to \$10/\$20 would align DoD cost shares with those of the VA system. This indicates a serious misunderstanding of the VA cost structure, unless the Administration also plans to triple VA cost shares. At the present time, the VA system requires no copayments at all for medications covering service-connected conditions, and the cost share for others is \$7.

The Coalition believes Congress will appropriate the funds needed to meet uniformed services retiree health care commitments if only the Administration will budget for it. The Coalition is concerned that DoD does not seem to recognize that it has a unique responsibility as an employer to those who served careers covering decades of arduous service and sacrifice in uniform. Multiple administrations have tried to impose copays in military medical facilities, and Congress has rejected that every time. We hope and trust that will continue.

The Coalition vigorously opposes increasing retiree cost shares that were only recently established. Congress’s recent restoration of retiree pharmacy benefits helped restore active duty and retired members’ faith that their government’s health care promises would be kept. If implemented, this proposal would undermine that trust, which in the long term, can only hurt retention and readiness.

***The Military Coalition urges the Subcommittee to continue to reject imposition of cost shares in military pharmacies and oppose increasing other pharmacy cost shares that were only***

*recently established. We urge the Subcommittee to ensure that Beneficiary Advisory Groups' inputs are included in any studies of pharmacy services or copay adjustments.*

### **TRICARE FOR LIFE (TFL) IMPLEMENTATION**

The Coalition is pleased to report that, thanks to this Subcommittee's continued focus on beneficiaries, TMC representatives remain actively engaged in an OSD-sponsored action group, the TRICARE Beneficiary Panel. This group was formed initially to deal with TFL implementation. Subsequently the group has broadened its scope from refining TFL to tackling broader TRICARE beneficiary concerns. We are most appreciative of the positive working relationship that has evolved and continues to grow between the Beneficiary Panel and the staff at the TRICARE Management Authority (TMA). This collegiality has gone a long way toward making the program better for all stakeholders. From our vantage point, TMA continues to be committed to implementing TFL and other health care initiatives consistent with Congressional intent and continues to work vigorously toward that end.

The Coalition is concerned that some "glitches" for TFL beneficiaries remain. The Beneficiary Panel has provided a much-needed forum to exchange DoD and beneficiary perspectives and identify corrective actions. However, some issues are beyond the policy purview of the department and require Congressional intervention. The Coalition has identified certain statutory limitations and inconsistencies that we believe need adjustment to promote an equitable benefit for all beneficiaries, regardless of where they reside.

**Permanent ID Card for Dependents Over the Age of 65.** With the advent of TFL, expiration of TFL-eligible spouses' and survivors' military identification cards -- and the threatened denial of health care claims -- has caused our frail and elderly members and their caregivers significant administrative and financial distress.

Previously, many of them who lived miles from a military installation or who resided in nursing homes and assisted living facilities simply did not bother to renew their ID cards upon the four-year expiration date. Before enactment of TFL, they had little to lose by not doing so. But now, ID card expiration cuts off their new and all-important health care coverage.

A four-year expiration date is reasonable for younger family members and survivors who have a higher incidence of divorce and remarriage, but it imposes significant hardship and inequity upon elderly dependents and survivors.

The Coalition is concerned that many elderly spouses and survivors with limited mobility find it difficult or impossible to renew their military identification cards. A number of seniors are incapacitated and living in residential facilities, some cannot drive, and many more do not live within a reasonable distance of a military facility. The threat of loss of coverage is forcing many elderly spouses and survivors to try to drive long distances -- sometimes in adverse weather, and at some risk to themselves and others -- to get their cards renewed.

Renewal by mail can be confusing, and obtaining information on service- and locality-specific mail-order renewal requirements can be very difficult for beneficiaries or their caregivers. Those who cannot contend with the daunting administrative requirements now face a terrible and unfair penalty.

*The Coalition strongly urges the Subcommittee direct the Secretary of Defense to authorize issuance of permanent military identification cards to uniformed services family members and survivors who are age 65 and older, with appropriate guidelines for notification and surrender of the ID card in those cases in which eligibility is ended by divorce or remarriage.*

**Access to TSRx for Nursing Home Beneficiaries.** Once again, the Coalition would like to bring to the Subcommittee's attention the plight faced by TRICARE Senior Pharmacy (TSRx) beneficiaries residing in nursing homes who continue to encounter limitations in utilizing the TSRx benefit. The Coalition is most grateful for report language contained in House Armed Services Committee Report PL 107-436 regarding waiver of the TSRx deductible for such beneficiaries. The Subcommittee directed the Secretary of Defense to implement policies and regulations or make any legislative changes to waive the annual deductible for these patients, and report to the Armed Services Committees by March 31, 2003.

By way of review for the Subcommittee, because of state pharmacy regulations, patient safety concerns and liability issues, the vast majority of nursing homes have limitations on dispensing medications from outside sources. In rare cases where the nursing home will accept outside medications, some beneficiaries have been successful in accessing medications via a local TRICARE network pharmacy or the TRICARE Mail Order Pharmacy (TMOP). These fortunate individuals use the TSRx program with the lower cost shares designated for participating pharmacy services.

However, the vast majority of nursing home residents must rely on the nursing home to dispense medications. As a result, these beneficiaries must seek TRICARE reimbursement for these medications and in most cases, this is treated as a non-network pharmacy -- which means the individual is responsible for a \$150 deductible (\$300 if there is a family), plus higher copayments per prescription. The TRICARE non-network pharmacy deductible policy was intended to create an incentive for beneficiaries to use the TMOP or retail network pharmacies. However, this policy unintentionally penalizes beneficiaries in nursing homes who have no other options.

One solution is to work with the nursing home to have them to sign on as a network pharmacy. But experience indicates that few if any nursing homes are willing to become TRICARE authorized pharmacies, thus subjecting helpless beneficiaries to deductibles and increased cost shares -- as if they had voluntarily chosen to use a non-network pharmacy.

A Pentagon report to Congress last May states "the use of non-network pharmacy services by TRICARE beneficiaries residing in nursing homes is not widespread." The Coalition strongly disagrees. In fact, because no effort has been made to educate beneficiaries or nursing homes about this problem, the vast majority of beneficiaries residing in nursing homes are not even aware that they have the ability to file paper claims for reimbursement.

The report further states,

"When such occurrences have been brought to our attention, we have consistently been able to deal with this issue on a case-by-case basis and have been universally successful in either identifying a network pharmacy that can serve the nursing home beneficiary, or bringing the non-network pharmacy used by the nursing home into the TRICARE network."



The Coalition takes great exception to this unfounded assertion. Our experience with actual members indicates a nearly universal lack of success in resolving this issue.

Pharmacy cost shares were established to direct beneficiaries to a more cost effective point of access. However, many of our frail and elderly beneficiaries are now residing in institutions where circumstances preclude them from accessing the TRICARE pharmacy at network cost shares. The Coalition asks the Subcommittee to take action to end this financial burden to those whose circumstances are out of their control.

***The Military Coalition urges the subcommittee to direct DoD to take action to provide outreach and education for beneficiaries attempting to deem nursing homes as TRICARE authorized pharmacy services. In those instances where the residential facility will not participate in the TRICARE program, DoD must be directed to reimburse pharmacy expenses at TRICARE network rates to uniformed services beneficiaries who cannot access network pharmacies due to physical or medical constraints.***

**Initial Preventive Physical Examination.** The Coalition is grateful that Sec 611 (PL 108-173), the Medicare Prescription Drug Improvement, and Modernization Act.. Sec 611 authorizes an initial preventative physical examination for Medicare-eligible beneficiaries turning 65. We are most appreciative of this effort to address preventive care for seniors. This one-time examination is not a covered TRICARE benefit.

Because this is a Medicare benefit and not a TRICARE benefit, TFL beneficiaries are liable for all Medicare co-payments. The billed charge may not exceed 115% of the Medicare Maximum Allowable Charge (MMAC). If the beneficiary's provider charges the maximum allowed by law (115% of the MMAC), Medicare would pay 80% and the beneficiary would be liable for co-payments of up to 35% of Medicare Maximum Allowable Charge. If the provider accepts Medicare assignment, the TFL beneficiary would be responsible for a 20% cost share.

Therefore, in order to prevent TFL beneficiaries from incurring this out of pocket cost, the Coalition requests that the TRICARE benefit package be modified to mirror this new Medicare enhancement.

***The Military Coalition requests that the Subcommittee take steps to authorize the initial preventive physical examination (Sec 611 of PL 108-173) as a TRICARE benefit for over 65 Medicare-eligible uniformed services beneficiaries.***

#### **The President's Task Force to Improve Health Care Delivery for Our Nation's Veterans**

The Coalition has endorsed the final report of the President's Task Force (PTF) to Improve Health Care Delivery for Our Nation's Veterans. It is the Coalition's hope that this Subcommittee will take action on many of the PTF recommendations and work with the Veteran's Affairs Committee, the Defense Department, and the Department of Veterans Affairs to move forward with greater collaborative efforts to enhance health care delivery for those who have earned these benefits through service to their country in uniform.

A significant goal is a seamless transition to veteran status for retirees or for those separating -- relying on collaboration for success. As soon as an individual enters the armed services, both agencies have a stake in their health status. Therefore, in order to provide quality health care, that information must be shared between the VA and DoD.



Lessons learned from the 1<sup>st</sup> Gulf War taught us that a better job must be done to collect, track and analyze occupational exposure data. Without this information, benefits determinations cannot be fairly adjudicated, nor can the causes of service related disorders be understood. Last year, DoD initiated an enhanced post-deployment health assessment process for service members deployed in support of Operation Iraqi Freedom. The outcome of this project will be a marker to determine if this PTF recommendation is being implemented effectively.

To do so, both agencies must share this exposure information and any other health status data electronically. VA and DoD will have to complete development of an interoperable bi-directional electronic medical record (EMR) -- the lynchpin to a seamless transition. The technology exists but the will must be found to move forward to completion.

Another important recommendation is "the one-stop physical" upon separation or retirement. Offering one discharge physical, providing outreach and referrals for a VA Compensation and Pension examination, as well as following up on claims adjudication and rating is not just more cost effective in terms of capital and human resources; it is the right thing to do -- to ensure that servicemembers receive the benefits they have earned and deserve.

The government has been talking about developing an electronic DD 214 for years, yet the document remains in paper format. Initial start-up costs would be paid back many times over in efficiencies gained. This is not just a matter of conserving resources. It is essential to remove barriers that hamper the benefits determination process.

Other commissions have worked to the same effort in the past, only to have their recommendations sit on the shelf. Successful implementation will require congressional authority and additional funding.

*The Military Coalition asks the Subcommittee to work with the Veteran's Affairs Committee and the Departments of Veterans Affairs and Defense to ensure action on the PTF recommendations including a seamless transition, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessment, and implementation of an electronic DD214.*

### TRICARE IMPROVEMENTS

**TRICARE Standard Improvements.** The Coalition is most grateful for the Subcommittee's extraordinary efforts in the FY 2004 NDAA to improve the TRICARE Standard program. This legislation goes a long way toward addressing the number one concern expressed by our collective memberships -- access to care for Standard beneficiaries.

Benefits already have been significantly enhanced for Medicare-eligibles, and for active duty beneficiaries in Prime and the Prime Remote program. This new legislation will address the needs of the 3.2 million TRICARE Standard beneficiaries, many of whom find it difficult or impossible to find a Standard provider. The Coalition is firmly committed to working with Congress, DoD and the Health Services Support Contractors (HSSCs) to facilitate prompt implementation of these provisions.

DoD will be required to track provider participation (including willingness to accept new patients), appoint a specific official responsible for ensuring participation is sufficient to meet beneficiary needs, recommend other actions needed to ensure the viability of the Standard program, develop an outreach program to help beneficiaries find Standard providers, educate them about the benefit, and provide problem resolution services for beneficiaries experiencing access problems or other difficulties.

The Coalition is well aware that DoD has a full plate this year managing the transition of many new TRICARE contracts and implementation of major legislative initiatives, including those for the Guard and Reserve components. We are concerned that DoD's resources may be stretched thin, and the Standard enhancements may take a low priority while other issues are addressed.

***The Military Coalition urges the Subcommittee's continued oversight to ensure DoD is held accountable to promptly meet requirements for beneficiary education and support, and particularly for education and recruitment of sufficient providers to solve access problems for Standard beneficiaries.***

**Provider Reimbursement.** The Coalition appreciates the Subcommittees efforts to address provider reimbursement needs in the FY 2004 NDAA (P.L. 108-136). We recognize that part of the problem is endemic to the Medicare reimbursement system, to which TRICARE rates are tied.

The Coalition is greatly troubled that a flaw in the provider reimbursement formula led the Centers for Medicare and Medicaid (CMS) to cut Medicare fees 5.4% in recent years, and would have generated additional cuts in 2003 and 2004 if not for last-minute legislative relief.

Cuts in Medicare (and thus TRICARE) provider payments, on top of providers' increasing overhead costs and rapidly rising medical liability expenses, seriously jeopardizes providers' willingness to participate in these programs. Provider resistance is much more pronounced for TRICARE than Medicare for a variety of social, workload, and administrative reasons. Provider groups tell us that TRICARE is the lowest-paying program they deal with, and often causes them the most administrative problems. This is a terrible combination of perceptions if you are a TRICARE Standard patient trying to find a doctor.

The situation is growing increasingly problematic as deployments of large numbers of military health professionals diminish the capacity of the military's direct health care system. In this situation, more and more TRICARE patients have to turn to the civilian sector for care – thus putting more demands on civilian providers who are reluctant to take an even larger number of beneficiaries with relatively low-paying TRICARE coverage.

The Coalition believes this is a readiness issue. Our deployed service men and women need to focus on their mission, without having to worry whether their family members back home can find a provider. Uniformed services beneficiaries deserve the nation's best health care, not the cheapest.

Congress did the right thing by reversing the erroneous proposed provider payment cuts due to be implemented March 1, 2003 and January 1, 2004 and instead provided 1.6 % and 1.5%

payment increases, respectively. But the underlying formula needs to be solved to eliminate the need for perennial "band-aid" corrections.

The Coalition is aware that jurisdiction over the Medicare program is not within the authority of the Armed Services Committees, but the adverse impact of depressed rates on all TRICARE beneficiaries warrants a special Subcommittee effort to find a way to solve the problem.

***The Military Coalition requests the Subcommittee's support of any means to raise Medicare and TRICARE rates to more reasonable standards and to support measures to address Medicare's flawed provider reimbursement formula.***

**Healthcare for Members of the National Guard and Reserve.** The Military Coalition is most appreciative to Congress for ensuring that the Temporary Reserve Health Care Program was included in the FY 2004 National Defense Authorization Act. This program will provide temporary coverage, until December 2004, for National Guard and Reserve members who are uninsured or do not have employer-sponsored health care coverage. TRICARE officials plan to build on existing TRICARE mechanisms to expedite implementation; however, no one is certain how long this will take. Immediate implementation is required.

The Coalition is grateful to the Subcommittee for their efforts to enact Sec 703 and 704 of the FY 2004 NDAA. Sec 703 -- Earlier Eligibility Date for TRICARE Benefits for Members of Reserve Components provides TRICARE health care coverage for reservists and their family members starting on the date a "delayed-effective-date order for activation" is issued. Sec 704 -- Temporary Extension of Transitional Health Care Benefits changes the period for receipt of transitional health care benefits from 60 or 120 days to 180 days for eligible beneficiaries.

Congress recognized the extraordinary sacrifices of our citizen-soldiers, by enacting extending this pre- and post-mobilization coverage. . Now it's time to recognize the changed nature of 21st century service in our nation's reserve forces by making these pilot programs permanent.

***The Military Coalition urges the Subcommittee to take action to make permanent all provisions of the Temporary Reserve Health Care Program (Sec 702, 703, and 704 P.L. 108-136) to support readiness, family morale, and deployment health preparedness for Guard and Reserve servicemembers.***

Health insurance coverage varies widely for members of the Guard and Reserve: some have coverage through private employers, others through the Federal government, and still others have no coverage. Reserve families with employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Guard and Reserve family members are eligible for TRICARE if the member's orders to active duty are for more than thirty days; but, many of these families would prefer to preserve the continuity of their health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting. Many Guard and Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE patients. Recognizing these challenges for its own reservist-employees, the Department of Defense routinely pays the premiums for the Federal Employee Health Benefit Program (FEHBP) when activation occurs. This benefit, however, only affects about ten percent of the Selected Reserve.

***The Military Coalition urges the authority for federal payment of civilian health care premiums (up to the TRICARE limit) as an option for mobilized service members.***

Dental readiness is another key aspect of readiness for Guard and Reserve personnel. Currently, DoD offers a dental program to Selected Reserve members and their families. The program provides diagnostic and preventive care for a monthly premium, and other services including restorative, endodontic, periodontic and oral surgery services on a cost-share basis, with an annual maximum payment of \$1,200 per enrollee per year. However, only five percent of eligible members are enrolled.

During this mobilization, soldiers with repairable dental problems were having teeth pulled at mobilization stations in the interests of time and money instead of having the proper dental care administered. Congress responded by passing legislation that allows DoD to provide medical and dental screening for Selected Reserve members who are assigned to a unit that has been alerted for mobilization in support of an operational mission, contingency operation, national emergency, or war. Unfortunately, waiting for an alert to begin screening is too late. During the initial mobilization for Operation Iraqi Freedom, the average time from alert to mobilization was less than 14 days, insufficient to address deployment dental standards. In some cases, units were mobilized before receiving their alert orders. This lack of notice for mobilization continues, with many reservists receiving only days of notice before mobilizing.

***The Military Coalition recommends expansion of the TRICARE Dental Plan benefits for Guard and Reserve servicemembers. This would allow all National Guard and Reserve members to maintain dental readiness and alleviate the need for dental care during training or mobilization.***

**Disproportionate Share Payments.** The Coalition is grateful for report language contained in the Senate Armed Services Committee Report 108-046 encouraging DoD to review and consider alignment of the TRICARE payment schedule with Medicare's disproportionate share payment adjustment to children's hospitals. The Subcommittee expressed concern about access when children's hospitals provide care to TRICARE beneficiaries with high-cost, complex medical needs where TRICARE reimbursement rates do not cover the cost of care provided.

Authorizing increased payments to hospitals that serve a disproportionately large number of TRICARE beneficiaries based on Medicare's Disproportionate Share (DSH) payment adjustment makes great sense. It is every bit as important that DoD safeguard access to care for uniformed services beneficiaries as for Medicare beneficiaries, and we need to encourage facilities to continue to serve this high-priority (but relatively low-revenue-generating) population.

***The Military Coalition urges the Subcommittee to further align TRICARE with Medicare by adapting the Medicare Disproportionate Share payment adjustment to compensate hospitals with larger populations of TRICARE beneficiaries.***

**Administrative Burdens.** Despite significant initiatives designed to improve the program, providers continued to complain of low and slow payments, as well as burdensome administrative requirements. Once providers have left the TRICARE system, promises of increased efficiencies do little to encourage them to return. Only by easing the administrative



burden on providers and building a simplified and reliable claims system that pays in a timely way can Congress and DoD hope to establish TRICARE as an attractive program to providers and a dependable benefit for beneficiaries.

Lessons learned from TFL implementation demonstrate the effectiveness of using one-stop electronic claims processing to make automatic TRICARE payments to Medicare-providers. TFL dramatically improved access to care for Medicare-eligibles by relying on existing Medicare policies to streamline administrative procedures and claims processing, making the system simple for providers, and paying claims on time.

The Coalition is grateful to the Subcommittee for its actions in the FY 2003 NDAA designating Medicare providers as TRICARE authorized providers and requiring DoD to adopt claims requirements that mirror Medicare's, effective upon implementation of the new TRICARE contracts (TNEX).

The Coalition remains concerned with the caveat under Sec. 711 of the FY2003 NDAA that claim information is limited to that required for Medicare claims "except for data that is unique to the TRICARE program." This provision allows TRICARE claims to be more complex than that of private sector practices. One example is the requirement to provide a TRICARE specific claim data element identifying a provider by the physical location where service was provided (geography). This can be problematic for medical practices with many providers delivering services in numerous localities. Medicare is much simpler requiring only one identifier. The Coalition is hopeful that the HIPPA requirement for a national provider indicator (NPI) will alleviate this issue, but the implementation of the NPI has been pushed back to 2007.

We do not know how these unique data elements enhance TRICARE claims processing, but we do know that both Medicare and the private sector adjudicate claims more cost effectively and efficiently without such additional requirements. We also know that the more requirements the TRICARE claims system imposes on providers, the less willing they are to put up with it. The claims system should be designed to accommodate providers' and beneficiaries' needs rather than compelling them to jump through additional administrative hoops for TRICARE's convenience.

***The Military Coalition urges the Subcommittee to continue its efforts to make the TRICARE claims system mirror Medicare's, without extraneous requirements that deter providers and inconvenience beneficiaries.***

**TRICARE Prime (Remote) Improvements.** The Coalition is grateful for the FY 2003 NDAA provision (Sec. 702) that addresses continued TRICARE eligibility of dependents residing at remote locations when their sponsor's follow on orders are an unaccompanied assignment.

This provision allows these families to retain the TRICARE Prime Remote benefit (TPR) and will go a long way to provide support for families remotely assigned who face a period of time living without their sponsor. But one problem remains.

As written, TPR benefits are authorized only if the dependents remain at the former duty site. When the member is assigned away from the family, there can be many good reasons why the family left behind may wish to relocate to another area while awaiting the end of the sponsor's

unaccompanied tour. Many dependents wish to relocate to be with their families or other support groups while waiting for the servicemember to return. In those cases where the government is willing to pay for the family's relocation for this purpose, it seems inappropriate to force the family out of the Prime Remote program if TRICARE Prime is not available at the location where the family will reside.

It is in the government's interest to ensure family members left behind receive the best support they can. We should not write the TRICARE Prime Remote rules in punitive ways that penalize family members who use a government-authorized move to their most appropriate location during the member's absence.

***The Military Coalition requests that the Subcommittee authorize family members who are eligible for TRICARE Prime Remote to retain their eligibility when moving to another Prime remote area when the government funds such move and there is no reasonable expectation that the service member will return to the former duty station.***

**Coordination of Benefits and the 115% Billing Limit Under TRICARE Standard.** In 1995, DoD unilaterally and arbitrarily changed its policy on the 115% billing limit in cases of third party insurance. The new policy shifted from a "coordination of benefits" methodology (the standard for TFL, FEHBP and other quality health insurance programs in the private sector) to a "benefits-less-benefits" approach, which unfairly transferred significant costs to servicemembers, their families, and survivors.

Although providers may charge any amount for a particular service, TRICARE only recognizes amounts up to 115% of the TRICARE "allowable charge" for a given procedure. Under DoD's pre-1995 policy, any third party insurer would pay first, and then TRICARE (formerly CHAMPUS) would pay any remaining balance up to what it would have paid as first payer if there were no other insurance (75% of the allowable charge for retirees; 80% for active duty dependents).

Under its post-1995 policy, TRICARE will not pay any reimbursement at all if the beneficiary's other health insurance (OHI) pays an amount equal to or higher than the 115% billing limit. (Example: a physician bills \$500 for a procedure with a TRICARE-allowable charge of \$300, and the OHI pays \$400. Previously, TRICARE would have paid the additional \$100 because that is less than the \$300 TRICARE would have paid if there were no other insurance. Under DoD's new rules, TRICARE pays nothing, since the other insurance paid more than 115% of the TRICARE-allowable charge.) In many cases, the beneficiary is stuck with the additional \$100 in out-of-pocket costs.

DoD and Congress acknowledged the appropriateness of the "coordination of benefits" approach in implementing TRICARE For Life and for calculating OHI pharmacy benefits. TFL pays whatever charges are left after Medicare pays, up to what TRICARE would have paid as first payer, just as they reimburse cost shares for OHI pharmacy claims. The Coalition believes this should apply when TRICARE is second-payer to any other insurance, not just when it is second-payer to Medicare or with pharmacy claims.

Current policy is contrary to best business practices in the private sector. When a beneficiary has two insurance plans, the secondary pays the beneficiary liability as long as the services are allowed under the rules of the secondary plan.

DoD's shift in policy unfairly penalizes beneficiaries with other health insurance plans by making them pay out of pocket for what TRICARE previously covered. In other words, beneficiaries who are entitled to TRICARE benefits, but are saving the government a substantial amount of money by using their OHI, may forfeit their entire TRICARE benefit because of private sector employment or by virtue of having private health insurance. In practice, despite statutory intent, these individuals have no TRICARE benefit.

The October, 2003 GAO Report, TRICARE Claims Processing Has Improved, but Inefficiencies Remain states "...when beneficiaries have other health insurance is the claims processing area that causes the most confusion for providers and beneficiaries." Providers and beneficiaries frequently misunderstand OHI claims adjudication. The confusion often arises because the OHI payment is equal to or greater than the TMAC, so there is no TRICARE payment. The result is increased customer service demand as contractors must answer complex inquiries from both providers and beneficiaries.

In addition to increasing demand for customer service, the GAO states that the procedures for calculating OHI result in inefficiencies as well. Not only are these rules unfair, they are also just about impossible to understand or explain to beneficiaries and their providers.

*The Military Coalition strongly recommends that the Subcommittee direct DoD to eliminate the 115% billing limit when TRICARE Standard is second payer to other health insurance and to reinstate the "coordination of benefits" methodology.*

**Nonavailability Statements under TRICARE Standard.** The Coalition is grateful to the Subcommittee for the provision in the FY2002 NDAA that has substantially eliminated the requirement for non-enrolled TRICARE beneficiaries to obtain a nonavailability statement (NAS) or preauthorization from an MTF before receiving certain services from a civilian provider. However, except for maternity care, the law allows DoD broad waiver authority that could diminish the practical effects of the intended relief from NAS. NAS's can be required if:

- The Secretary demonstrates that significant costs would be avoided by performing specific procedures at MTFs;
- The Secretary determines that a specific procedure must be provided at the affected MTF to ensure the proficiency levels of the practitioners at the facility; or
- The lack of an NAS would significantly interfere with TRICARE contract administration

In addition, the Department must provide notification to affected beneficiaries of any future intent to require an NAS under this authority, and must provide at least 60 days' notice to the Armed Services Committees of any such intent, along with the reasons and intended implementation date.

The Coalition is pleased that, at present, there is no requirement for NAS other than for inpatient mental health services in the TRICARE program.

The Coalition has urged DoD, in the event any future NAS requirement is contemplated, to go beyond a mere Federal Register notification and make a good-faith effort to contact beneficiaries likely to be affected. The Coalition has urged the department to develop a formal program to inform Standard providers and beneficiaries in any such event.



***The Military Coalition requests the Subcommittee's continued oversight to assure that, should the Department of Defense choose to exercise its authority and reinstate NAS requirements, beneficiaries and their providers receive effective, advance notification.***

**TRICARE Next Generation of Contracts (TNEX).** Over the next several months, the long awaited transition to the new contracts will be implemented. The Coalition agrees that this is a critically important step, both for the Department and for beneficiaries. We acknowledge the complexity of this process and remain firmly committed to working with Congress, the Department, and the HSSCs to make implementation as effective as possible. Above all, we intend to be vigilant that the current level of service is not compromised. The Coalition applauds the new contracts' increased focus on performance, customer satisfaction and quality care.

As these contracts are implemented, a seamless transition and accountability for progress are the Coalition's primary concerns. The Coalition is sensitive that massive system changes are being implemented at a time of great stress for uniformed services beneficiaries, especially active duty members and their families. Transitions to new contractors, even when the contract design has not dramatically changed, have historically been tumultuous for all stakeholders, especially beneficiaries. The Coalition believes systems must be put in place that will make the transition to the new contracts as seamless as possible for the beneficiary.

One concern with awarding different contract functions to a variety of vendors is that beneficiaries should not be caught in the middle as they attempt to negotiate their way between the boundaries of the various vendors' responsibilities. DoD must find ways to ensure beneficiaries have a single source of help to resolve problems involving the interface of multiple contractors.

The Coalition will be closely monitoring our member feedback concerning customer service. Specifically, we are concerned that the outgoing HSSCs avoid any fall-off of service as their contracts wind down and that the handoff between the old and new contractors goes smoothly.

Another important area of concern is provider churn. Contracts were re-awarded in four regions, therefore those beneficiaries should experience minimal turnover. But in the other seven regions, beneficiaries may have to find new physicians willing to contract with the new HSSC. The Coalition hopes that beneficiaries who are currently receiving care will be able to continue with their current provider through their course of treatment.

Despite all the changes, the Coalition is hopeful that TRICARE beneficiaries will benefit from the new contract structure. By streamlining administrative requirements and being less prescriptive, we hope DoD will be able to improve service delivery and enhance access. The Coalition intends to be closely involved in the transition and implementation process.

***The Military Coalition recommends that the Subcommittee strictly monitor implementation of the next generation of TRICARE contracts and ensure that Beneficiary Advisory Groups' inputs are sought in the implementation process.***

There are three areas of concern the Coalition has identified in the past that we hope will be addressed by the new contracts: Portability/Reciprocity, Prior Authorization, and Health Care



Information Lines (HCIL). We would like to briefly state our concerns and ask the Subcommittee's due diligence to provide continued oversight of these issues.

**Prior Authorization under TNEX.** While the TNEX request for proposals purportedly removed the requirement for preauthorization for Prime beneficiaries referred to specialty care, the TRICARE Policy Manual 6010.54-M August 1, 2002, Chapter 1, Section 7.1, and I., G belies that, stating:

"Each TRICARE Regional Managed Care Support (MCS) contractor may require additional care authorizations not identified in this section. Such authorization requirements may differ between regions. Beneficiaries and providers are responsible for contacting their contractor's Health Care Finder for a listing of additional regional authorization requirements."

The Coalition believes strongly that this regulation undermines the long-standing effort of this Subcommittee to simplify the system and remove burdens from providers and beneficiaries. It is contrary to current private sector business practices, the commitment to decrease provider administrative burdens, and the provision of a uniform benefit.

Since each contractor has been given great leeway in this area, it is too soon in the implementation process for the Coalition to assess the impact upon beneficiaries of the new prior authorization requirements in each of the three regions. We will reserve judgement at this time but will monitor the implementation of these requirements from the beneficiary's perspective.

*The Military Coalition urges the Subcommittee's continued efforts to reduce and ultimately eliminate requirements for pre-authorization and asks the Subcommittee to assess the impact of new prior authorization requirements upon beneficiaries' access to care.*

**Portability and Reciprocity.** Section 735 of the FY 2001 NDAA required DoD to develop a plan, due March 15, 2001, for improved portability and reciprocity of benefits for all enrollees under the TRICARE program throughout all regions. DoD has since issued a memorandum stating that DoD policy requires full portability and reciprocity. Despite the efforts of this Subcommittee, in the current system with 12 regions, enrollees routinely experience enrollment disruption when they move between regions and are still not able to receive services from another TRICARE Region without multiple phone calls and much aggravation.

The Coalition is eager to see if reducing the number of contracts from 12 to three will address this problem.

The lack of reciprocity presents particular difficulties for TRICARE beneficiaries living in "border" areas where two TRICARE regions intersect. In some of the more rural areas, the closest provider may actually be located in another TRICARE region, and yet due to the lack of reciprocity, beneficiaries cannot use these providers without great difficulty. The problem also arises when a member has a child attending college in a different TRICARE region.

Our government requires nationwide mobility of military families, and it is essential to ensure they are provided seamless continuity of health coverage. The Coalition believes three years is more than long enough to have waited for this basic quality of life problem to be fixed.

***The Military Coalition urges the Subcommittee to monitor the new contracts to determine if the new system facilitates portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.***

**Health Care Information Lines (HCIL).** The Coalition is concerned that the TNEX request for proposals did not contain any requirement for Health Care Information Lines (HCIL), leaving each of the three military services to piecemeal these support services to beneficiaries in their service areas. The Coalition believes this is a grave mistake, works against the interests of the beneficiaries, and interferes with cost-effective management of the TRICARE program.

Over 100 million civilian health plan beneficiaries nation-wide have access to telephonic nurse advice services. HCIL services offered under existing TRICARE contracts played a critical role in the health care process for military beneficiaries. This information service is even more valuable when combined with a triage service that not only suggests a proper plan for care (self care at home, acute care, routine appointment with provider, or emergency room visit), but also schedules an appointment if necessary.

The Coalition has seen data indicating military members and their spouses use HCIL services at twice the rate of the civilian population. No matter where the individual or family is stationed, a HCIL program can provide a convenient and cost-effective point of access to safe, trustworthy decision support and health information.

HCILs can provide peace of mind to spouses who may have to make decisions without the support of their partner. These informed decisions help optimize effective use of MTF and purchased health care resources, while improving clinical and financial outcomes.

HCIL services provide access to nurses 24 hours a day, seven days a week, including times when good care is not always easily accessible. In many cases, children and adults who otherwise may not have received timely care have been assessed and directed to what turned out to be life-saving care.

The Coalition believes that nurse triage programs are a win-win proposition as they have the potential to help control costs by directing patients to the appropriate level of care, while improving access to care and MTF appointments for those who need them.

The Coalition fears that the omission of HCIL guidance from TNEX will result, at best, in a patchwork of HCIL programs implemented locally at the MTF level – to the extent Commanders even choose to do so. The Coalition firmly believes that the popularity of the current regional HCIL services and the single HCIL contract for all OCONUS locations indicates the need for continued availability of a consistent level of HCIL services for all beneficiaries.

***The Military Coalition urges the Subcommittee to direct DoD to modify the TNEX contract to make HCIL access universal for all beneficiaries and to develop a plan to provide for uniform administration of HCIL services nation-wide.***

**Uniform Formulary Implementation.** The Coalition is committed to work with DoD and Congress to develop and maintain a comprehensive uniform pharmacy benefit for all beneficiaries mandated by Section 701 of the FY 2000 NDAA. We will particularly monitor

the activities of the Pharmacy and Therapeutics (P&T) Committee. The Coalition expects DoD to establish a robust formulary with a broad variety of medications in each therapeutic class that fairly and fully captures the entire spectrum of pharmaceutical needs of the millions of uniformed services beneficiaries.

The Coalition is grateful to this Subcommittee for the role it played in mandating a Beneficiary Advisory Panel (BAP) to comment on the formulary. Several Coalition representatives are members of the BAP and are eager to provide input to the program. While we are aware that there will be limitations to access for some medications, our efforts will be directed to ensuring that the formulary is as broad as possible, that prior authorization requirements for obtaining non-formulary drugs and procedures for appealing decisions are communicated clearly to beneficiaries; and that the guidelines are administered equitably.

The Coalition is particularly concerned that procedures for documenting and approving "medical necessity" determinations by a patient's physician must be streamlined, without posing unnecessary administrative hassles for providers, patients, and pharmacists. The Coalition believes the proposed copayment increase from \$9 to \$22 for non-formulary drugs is very steep and could present an undue financial burden upon beneficiaries if there is a restrictive formulary bias. Beneficiaries' trust will be violated if the formulary is excessively limited, fees rise excessively, and/or the administrative requirements to document medical necessity are onerous.

DoD must do a better job of informing beneficiaries about the scope of the benefit -- to include prior authorization requirements, generic substitution policy, limitations on number of medications dispensed, and processes for determining medical necessity. The Coalition is pleased to note that the department has improved its beneficiary education via the TRICARE website. However, we remain concerned that many beneficiaries do not have access to the Internet, and this information is not available through any other written source. As DoD approaches the uniform formulary implementation, it will be critical to make this information readily available to beneficiaries and providers.

***The Military Coalition urges the Subcommittee to ensure a robust uniform formulary is developed, with reasonable medical-necessity rules and increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.***

**TRICARE Benefits for Remarried widows.** The Coalition believes there is a gross inequity in TRICARE's treatment of remarried surviving spouses whose subsequent marriage ends because of death or divorce. These survivors are entitled to have their military identification cards reinstated, as well as restoration of commissary and exchange privileges. In addition, they have any applicable Survivor Benefit Plan (SBP) annuity reinstated if such payment was terminated upon their remarriage. In short, all of their military benefits are restored – except health care coverage.

This disparity in the treatment of military widows was further highlighted by enactment of the Veterans Benefits Act of 2002. This legislation (38USC 103(g)(1)) reinstated certain benefits for survivors of veterans who died of service-connected causes. Previously, these survivors lost their VA annuities and VA health care (CHAMPVA) when they remarried, but the Veterans Benefits Act of 2002 restored the annuity – and CHAMPVA eligibility – if the remarriage ends in death or divorce.

Military survivors merit the same consideration Congress has extended and the VA has implemented for CHAMPVA survivors.

*The Military Coalition urges the Subcommittee to restore equity for surviving spouses by reinstating TRICARE benefits for otherwise qualifying remarried spouses whose second or subsequent marriage ends because of death, divorce or annulment, consistent with the treatment accorded CHAMPVA-eligible survivors.*

**TRICARE Prime Continuity in BRAC areas.** In addition to our concerns about current benefits, the Coalition is apprehensive about continuity of future benefits as Congress and DoD begin to consider another round of base closures.

Many beneficiaries deliberately retire in localities close military bases, specifically to have access to military health care and other facilities. Base closures run significant risks of disrupting TRICARE Prime contracts that retirees depend on to meet their health care needs.

Under current TRICARE contracts and under DoD's interpretation of TNEX, TRICARE contractors are supposed to continue maintaining TRICARE Prime provider networks in Base Realignment and Closure (BRAC) areas. However, these contracts can be renegotiated, and the contracting parties may not always agree on the desirability of maintaining this provision.

The Coalition believes continuity of the TRICARE Prime program in base closure areas is important to keeping health care commitments to retirees, their families and survivors, and would prefer to see the current contract provision codified in law.

*The Military Coalition urges the Subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for uniformed services beneficiaries residing in BRAC areas.*

**TRICARE Retiree Dental Plan.** The Coalition is grateful for the Subcommittee's leadership role in authorizing the TRICARE Retiree Dental Plan (TRDP). While the program is clearly successful, participation could be greatly enhanced with two adjustments.

Unlike the TRICARE Active Duty Dental Plan, which enjoys a substantial federal subsidy to keep premiums low, there is no government subsidy for retiree dental premiums. This is a significant dissatisfier for retired beneficiaries, as the program is fairly expensive with relatively limited coverage. The Coalition believes dental care is integral to a beneficiary's overall health status. Dental disease left untreated can lead to more serious health consequences and should not be excluded from a comprehensive medical care program. As we move toward making the health care benefit uniform, this important feature should be made more consistent across all categories of beneficiaries.

The Coalition understands that consideration is being given to establishing a subsidized dental benefit covering active and retired federal civilians as an adjunct to the Federal Employees Health Benefits Program. If so, similar consideration should be provided for retired military beneficiaries.



Another shortcoming of the TRDP is that it is not available overseas, but, according to the TRDP website: "You can receive covered treatment anywhere in the 50 United States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands and Canada."

***The Military Coalition urges the Subcommittee to consider providing a subsidy for retiree dental benefits and extending eligibility for the retiree dental plan to retired beneficiaries who reside outside the United States.***

**Pre-Tax Premium Conversion Option.** To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance, such as TRICARE supplements, the active duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 % of their adjusted gross taxable income, as required by the IRS.

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 Presidential directive allowing federal civilian employees to pay premiums for their Federal Employees Health Benefits Program (FEHBP) coverage with pre-tax dollars.

The Coalition supports HR 2131, which would amend the tax law to allow Federal civilian retirees and active duty and retired military members pay health and dental insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the Subcommittee will lend its support to this legislation and help ensure equal treatment for all military and federal beneficiaries.

***The Military Coalition urges the Subcommittee to support HR 1231 to provide active duty and uniformed services beneficiaries a tax exclusion for premiums paid for TRICARE Prime enrollment fees, TRICARE dental coverage and health supplements, and FEHBP.***

**Extended Care Health Option (ECHO).** Once again, the Coalition thanks the Subcommittee for its continued diligence in support of those beneficiaries who fall under the category of "Custodial Care" We are most appreciative of the generous enhancements this Subcommittee has endorsed in Section 701 of the FY 2002 NDAA (PL 107-107) providing additional benefits for eligible active duty dependents by amending the Program for Persons with Disabilities (PWFPD), now termed the Extended Care Health Option (ECHO). Once implemented, ECHO will provide extended benefits not available through the Basic Program to assist in the reduction of the disabling effects of a qualifying condition. Implementation is scheduled as the new contracts roll out this year.

While the ECHO program will provide a tremendous benefit to active duty families, offering enhanced services and respite care, the Coalition is concerned about families transitioning to retirement status when benefits will terminate. The Coalition expects DoD, through both the Exceptional Family Member Program and the military health system, to provide clear education and guidance to families regarding the termination of ECHO benefits at retirement.

Further, the Coalition expects that adequate and timely transition assistance to community-based support services be provided these families. The Coalition will be monitoring this transition process to determine whether legislation is needed to provide a benefit "bridge" for disabled family members of retiring servicemembers as until needed services can be secured in the local community.

*The Military Coalition recommends the Subcommittee's continued oversight to assure that medically necessary care will be provided to all custodial care beneficiaries; that Congress direct a study to determine the impact of the ECHO program upon all beneficiary classes, and that beneficiary groups' input be sought in the evaluation of the program..*

### CONCLUSION

The Military Coalition reiterates its profound gratitude for the extraordinary progress this Subcommittee has made in advancing a wide range of personnel and health care initiatives for all uniformed services personnel and their families and survivors. The Coalition is eager to work with the Subcommittee in pursuit of the goals outlined in our testimony. Thank you very much for the opportunity to present the Coalition's views on these critically important topics.

**U.S. House of Representatives**

**Washington, DC 20515-6035**

**One Hundred Eighth Congress**

**COMMITTEE ON ARMED SERVICES**

**SUBCOMMITTEE ON TOTAL FORCE**

**HEARING**

**DoD HEALTHCARE**

**MARCH 18, 2004**

**STATEMENT**

**ALFRED S. BUCK, MD, FACS**

**CHAIRMAN**

**DoD HEALTHCARE QUALITY INITIATIVES REVIEW PANEL**

Mr. Chairman and members of the Subcommittee, it is an honor for me to appear before you today.

The DoD Healthcare Quality Initiatives Review Panel (HQIRP) was convened during the period September 1999 through January 2001 as a Federal Advisory Committee chartered by the Congress in Public Law 105-174. Its report, released by DoD in July 2001, was a unanimous statement and is available in its entirety for review. Of \$4.7 millions appropriated for the work, \$4.4 millions were allocated to specific quality initiatives. The remainder was expended for support of Panel activities and tasks.

Among the conclusions and 48 recommendations conveyed by the Panel in its report was an understanding that the military health care system is overall, a successful one - one that is an essential and valuable national resource. Report content was favorably received by various individuals, who included members and staff of the Congress, staff of the DoD Health Affairs office, and various constituency groups and patient advocates.

The recommendations in the Report were considered essential to ensure continued improvement within the DoD Health System. Have they been addressed? Are there residual priorities?

While it is not possible for former Panel members, at a distance, to offer conclusive responses to the questions above, we certainly are hopeful about progress. The nine problem areas addressed by the Initiatives and by the Panel will very likely prove to be "works in progress." They will remain central to the delivery of health care by, or through, the auspices of the military services and DoD - especially when considering the challenging operational environment currently facing the direct care component of the military health system. These problem areas correspond to Report chapters. In sequence they are:

- training and oversight of healthcare providers - especially general medical officers
- consolidation of high-risk, resource intense clinical activities at specified facilities
- reporting adverse actions affecting healthcare providers to the National Practitioner Data Bank (NPDB) as established in Public Law 99-660
- licenses for and credentialing of healthcare providers
- utilization of an annual DoD-level quality management report
- communication with beneficiaries about the quality of their care
- strengthening the DoD Quality Management Program
- refinement of laboratory standards
- patient data accuracy and information management

While it is reasonable to anticipate progress is being achieved, specific needs may persist that are essential for improvement. This concern bears emphasis because the egregious outcomes that prompted the Initiatives and the Panel's charter were most essentially related to staffing (quantity, competency, and continuity) and medical records (accuracy, completeness and continuity). In the mind of the Panel, these factors in turn were related to system deficiencies such as workload reporting, cost and outcome analyses, and resource process.



Accepting a high probability of omitting some items of current interest, I have attempted to craft ten questions, as examples, that can serve to bridge the statements of the Report with today's dynamic environment. Hopefully, these relate potential ongoing issues or concerns to specific recommendations in the Report. The latter are referenced in parenthetical citations by page number in the Report, chapter number or title, and recommendation number.

- 1) Has a "level playing field" been achieved in providing comparable oversight and accountability for the purchased care as well as the direct care components of TRICARE? (p.12, General Recommendation 2.)
- 2) Have data systems been implemented that can be audited for accuracy and that can measure and monitor quality outcomes, resource utilization and healthcare costs? (p.14, General Recommendation 4.)
- 3) Have demonstration projects been designed and implemented that will provide policy guidance to enable consolidation and safer performance of high risk procedures (e.g., organ transplantation, joint replacement, cardiac surgery, etc.) as recommended in Chapter II?
- 4) Has a streamlined tri-Service risk management process been implemented that achieves review of specified adverse outcomes and all closed malpractice cases, manages pertinent summary data, produces analyses of experience, and assures uniform identification and reporting of practitioners not meeting the standard(s) of care to the NPDB? (p.41, Chapter III., 1,5.)
- 5) Does the Centralized Credentials Quality Assurance System (CCQAS) periodically provide updated reports at the military treatment facility and command levels listing unlicensed physicians on staff and license expiration dates for those licensed? (p.51, Chapter IV., 3.)
- 6) Can any portion of the annual Quality Management Report (QMR) now be prepared with supportive data automatically? (p.57, Chapter V., 2.)
- 7) Are reports being developed or tested for the promulgation to beneficiaries of data-based, objective system and clinical progress? (p.67, Chapter VI., 5.)
- 8) Has a standard resource methodology been achieved through TRICARE that is flexible and responsive to clinical needs and quality management? (p.79, Chapter VII., 2.)
- 9) Is CCQAS now used to manage the credentials of all laboratory professionals? (p.85, Chapter VIII., 3.)
- 10) Is a "longitudinal" electronic patient record now available for all active duty patients and other beneficiaries? (p.91, Chapter IX., 4.)

To the best of my understanding, the examples cited would prove useful in facilitating assessment of progress in resolving conclusions and recommendations of the DoD HQIRP. Other examples could be developed. We hope that such an assessment can be undertaken.

In closing, on behalf of each of our Panel members, I would like to express my respect to the Subcommittee and my appreciation for its interest and consideration. I welcome comments and questions.

# NATIONAL MILITARY VETERANS ALLIANCE

STATEMENT BEFORE THE  
House Committee on Armed Services  
Subcommittee on Total Force

By

Kimberly Ann Stanish  
National Military Veterans Alliance,  
Health Care Committee Co-Chair

And

Benjamin Butler  
National Association for Uniformed Services  
Director of Legislation

18 MARCH 2004

## Biography of Kimberly Ann Stanish

National Association for Uniformed Services  
National Military Veterans Alliance,  
Health Care Committee Co-Chair

Kimberly Ann Stanish is the Legislative Associate for the National Association for Uniformed Services. She is also the Co-Chair of the National Military and Veterans Alliance (NMVA) Health Care Committee, as well as a member of the The Military Coalition's Health Care Committee. In all three capacities Ms. Stanish works with key congressional and governmental offices to support legislation to uphold the security of the United States, sustain the morale of the Armed Forces, and provide fair and equitable consideration for all members of the uniformed services: active, reserve, National Guard, veteran, retired, and their spouses, widows and widowers. Her primary focus is maintaining the quality and availability of health care for all uniformed services beneficiaries, to include the Military's retirees, the active duty, the National Guard and Reserves and all their families and survivors.

Prior to joining NAUS, Ms. Stanish worked for TRICARE Management Activity as a government contractor, where she managed 20 Department of Defense, Veterans Affairs, and USDA contracts, including the administrative support staff for TMA's front office, Communications and Customer Service Department

Ms. Stanish has a B.A. in Political Science from the University of Brockport and a B.S. in Public Justice/Forensic Science from the University of Oswego.

She lives in Rosslyn Virginia with her husband Christopher Holleman, an Administrative Judge for the Small Business Administration.

**Benjamin H. Butler****National Association for Uniformed Services  
Director of Legislation**

Master Gunnery Sergeant Butler, US Marine Corps, Retired, has been a Director and Deputy Director of Legislation, the Director of Chapter Management and an Associate Director of the Legislative Political Action Team at NAUS since his retirement from the Marine Corps in August 1996.

MGySgt Butler's military career spanned 21 years of active service. His years in the military started with the infantry, serving with the 2<sup>nd</sup> Marine Division at Camp Lejeune NC and as an instructor at Officers Candidate School in Quantico VA. He also spent several years working as a recruiter. He worked at all levels of recruiting for the Marine Corps starting as a canvassing recruiter. He also managed several different recruiting stations in both upstate NY and the Washington DC area. He also served as a Regional Recruiter Instructor as well as an Instructor at Recruiters' School in San Diego CA. MGySgt Butler then spent 4 years as a member of the national training team for Marine Corps recruiting in Washington DC. During this tour he traveled from coast-to-coast, assisting recruiters and recruiting commanders. He has had extensive training in sales and management and is certified as a sales and management trainer.

Most recently MGySgt Butler's work at the National Association for Uniformed Services has led to daily contact with legislators and staffers on Capitol Hill, and the opportunity to testify before congress on issues of great importance to military retirees. MGySgt Butler has spent the last several months working with the TRICARE Management Activity as a member of the TRICARE for Life Working Group overseeing implementation of the program. MGySgt Butler has traveled throughout the United States and given presentations at numerous events, talking about health care and other issues of importance to all veterans.

***Disclosure***

***Neither the National Military Veterans Alliance, nor the National Association for Uniformed Services (NAUS) have received grants (and/or subgrants) or contracts (and/or subcontracts) from the federal government for the past three fiscal years.***



## INTRODUCTION

Mr. Chairman, distinguished members of the Committee, The National Military and Veterans Alliance wishes to thank you for the honor of testifying before your subcommittee concerning crucial improvements that are needed to support Military Retirees and their survivors.

The Alliance was founded in 1996 as an umbrella organization to encourage all military and veteran associations to work together towards their common goals. The Alliance Members are:

- ❖ American Logistics Association
- ❖ American Military Retirees Association
- ❖ American Military Society
- ❖ American Retirees Association
- ❖ American World War II Orphans Network
- ❖ AMVETS
- ❖ Association of Old Crows
- ❖ Catholic War Veterans
- ❖ Class Act Group
- ❖ Gold Star Wives of America
- ❖ Korean War Veterans
- ❖ Legion of Valor
- ❖ Military Order of the Purple Heart
- ❖ Military Order of the World Wars
- ❖ National Association for Uniformed Services
- ❖ National Gulf War Resource Center
- ❖ Naval Enlisted Reserve Association
- ❖ Naval Reserve Association
- ❖ Paralyzed Veterans of America
- ❖ Reserve Enlisted Association
- ❖ Reserve Officers Association
- ❖ Society of Military Widows
- ❖ The Retired Enlisted Association
- ❖ TREA Senior Citizens League
- ❖ Tragedy Assistance Program for Survivors
- ❖ Uniformed Services Disabled Retirees
- ❖ Veterans of Foreign Wars
- ❖ Vietnam Veterans of America
- ❖ Women in Search of Equity

The preceding organizations represent almost 5 million members and collectively, represent some 80 million Americans, those who serve or have served their country and their families.

The overall goal of the National Military and Veteran's Alliance is a strong National Defense. In light of this overall objective, we would request that the committee examine the following proposals.

## RECOMMENDATIONS OF THE NATIONAL MILITARY VETERANS ALLIANCE

### ADEQUATE FUNDING FOR THE DEFENSE HEALTH BUDGET

One of the most pressing issues facing the military health care system is an adequately funded Department of Defense health care budget. The additional costs of the ongoing war against terrorism and the increased level of deployments require Congress to stay vigilant against future budgetary shortfalls that would damage the quality and availability of health care.

The Defense Health Program budget must have adequate funding to maintain the quality and availability of health care for all uniformed services beneficiaries, regardless of age, status or location. This is essential to readiness and retention of competent and healthy personnel. The Alliance strongly urges the Subcommittee to ensure full funding for the upcoming year.

### IMPROVING TRICARE STANDARD

We would like to thank the Subcommittee for their efforts over the last two years revitalizing the TRICARE Standard program, i.e. Sec. 712 of the FY 2003 NDAA (P.L. 107-314) and Secs. 723 and 724 of the FY 2004 NDAA (P.L. 108-136).

While these were great steps forward, the TRICARE Standard program and its beneficiaries are still in jeopardy. The Alliance asks that there is a continued push to rejuvenate the program.

With the implementation of Sec 724 in the FY 2004 NDAA, one of our main concerns will finally be addressed. Communication between TRICARE and the Standard beneficiary, especially during the transition to the new contracts, is of the utmost importance. DoD has a responsibility to directly educate the Standard beneficiary on the extent of their health care coverage; costs, problem resolution processes and most importantly locating authorized providers.

This last point of communication will be the most difficult. While even in the civilian sector maintaining a viable network of health care providers is difficult, convincing doctors to accept TRICARE Standard seems to be a monumental task. It is well known that the health care providers are dissatisfied with TRICARE reimbursement rates. The Alliance was relieved that PL 108-173 increased the Medicare reimbursement levels, as TRICARE rates are directly tied to Medicare Rates.

#### **TRICARE Provider Participation Impediments/Access to Care**

Access to care is still the Alliance's number one concern. Our members report that there are few providers willing to accept new TRICARE Standard patients. Expanded communications will be of little use to the Standard beneficiary if they cannot find a provider.

The significance of low reimbursement rates, slow claims processing and administrative hassles are just part of the frustrations that keep these providers out of the system. Inadequate education about the Standard program from either the Managed Care Support Contractor or TMA exasperates this situation.

We understand the complexities of these issues and how they affect the choices of the provider. One way to get increased provider participation would be to increase the provider reimbursement rates. DoD has tied the TRICARE system, especially the TRICARE Maximum Allowable Charges, to the Medicare system. This ties them to the flawed provider reimbursement formula used by the Centers for Medicare and Medicaid (CMS). Cuts in the Medicare provider payments, on top of the providers overhead costs, liability insurance and administrative costs makes it difficult for these providers to be willing to participate in either program.

The Department of Defense must increase the TRICARE Standard provider reimbursement rates to an equal level with other insurance rates

in order to attract and maintain an adequate number of providers. Administrative changes can only go so far. Therefore we ask this Committee to support TRICARE in using its authority to increase the provider reimbursement rates in those areas most in need.

#### **Federal Employee Health Benefits Program Option**

One alternative for the TRICARE Standard Beneficiary would be to allow the TRICARE Beneficiary the option of enrolling in the Federal Employees Health Benefit Program (FEHBP).

Many of the Uniformed Services retirees, who live in areas of the country where TRICARE Prime is not an option and TRICARE Standard participation by providers is weak, could enroll in the already existing FEHBP networks and be provided with the health care they both need and deserve. Since FEHBP requires a substantial premium, the Alliance does not believe that there will be a great influx of new enrollees.

#### **Non-availability Statements under TRICARE Standard**

While it must be clear to the Committee that the Alliance is very happy with the provision in the FY 2002 NDAA that waives the requirement for a beneficiary to obtain a Non-availability Statement (NAS), we are concerned that the law does allow DoD the broad waiver authority originally intended.

The Secretary may waive the prohibition in subsection (a) if:

- a) The Secretary demonstrates that significant costs would be avoided by performing specific procedures at the affected military medical treatment facility or facilities
- b) The Secretary determines that a specific procedure must be provided at the affected military medical treatment facility or facilities to ensure the proficiency levels of the practitioners at the facility or facilities,
- c) The Secretary determines that the lack of Non-Availability Statement data would significantly interfere with TRICARE contract administration.

In fact, if invoked, these waivers will make the TRICARE Standard program more complex; with each MTF catchment area having different requirements. This will be compounded by the fact that there is no true communication between TRICARE and the Standard Beneficiary.



The TRICARE program was expanded to both manage costs and to provide beneficiaries a choice in health care programs. These waiver authorities counter these goals.

### IMPROVING THE TRICARE FOR LIFE PROGRAM

While it must be made very clear to the Committee that the Alliance is very pleased with the progress that has been made for the Medicare eligible beneficiaries under the TRICARE For Life program, there are still certain areas of the program that need to be monitored or improved upon to provide the full benefit that beneficiaries of the military health system deserve.

#### Medicare Part B Penalty Waiver

The Alliance was pleased to see that the Congress addressed the issue of Medicare Part B enrollment in last years Medicare reform bill (PL 108-173). Before TRICARE For Life was implemented, retirees who lived near an MTF or in Europe were advised that there was no reason for them to enroll in Medicare Part B. Now that TRICARE For Life has been implemented, with the Part B requirement, these retirees are faced with a 10% per year late enrollment penalty.

SEC. 625 (PL 108-173) waives the penalty for those beneficiaries who enrolled during 2001, 2002, 2003, or 2004 and allows an open enrollment period for those beneficiaries who have yet to enroll due to the penalty.

We ask that the committee continue this assistance to beneficiaries and monitor it to ensure the smooth and timely implementation of this provision.

#### Permanent Dependent ID Cards for over 65

As well as Part B enrollment, dependent TRICARE For Life beneficiaries are required to have an updated military identification card. Until TFL, there was little reason for those beneficiaries who either resided in nursing homes or lived miles from a military installation to renew their ID cards every four years as is required. For the elderly with limited mobility, it is next to impossible to renew their identification cards and renewal by mail is not an option. The administrative processes are confusing at best and for those beneficiaries who rely on family

caregivers, access to military information adds an additional level of complexity.

The Alliance requests that this Subcommittee direct the Secretary of Defense to authorize permanent military identification cards to military retiree dependents and survivors who are 65 and older.

#### **Initial Preventative Physical Examination**

Last year the Congress enacted Sec 611 of the Medicare reform bill (PL 108-173), which provides for an initial Medicare preventative physical examination upon becoming eligible for Medicare at age 65. This is a welcomed preventative care addition for seniors.

Since this is a new benefit, it is not a covered TRICARE benefit. And because this is not a TRICARE covered benefit, TFL beneficiaries are required to pay the remaining cost-shares, after Medicare pays its 80%. Therefore, in order to prevent the TFL beneficiary from incurring out of pocket expenses and to maintain the mandated TRICARE/Medicare mirrored system, the Alliance asks the Subcommittee to authorize the initial preventative physical examination as a TRICARE benefit for the TRICARE For Life eligible beneficiaries.

#### **TRICARE Retiree Dental Program**

The focus of the TRICARE Retiree Dental Plan (TRDP) is to maintain the dental health of Uniformed Services retirees and their family members. Several years ago we saw the need to modify the TRDP legislation to allow the Department of Defense to include some dental procedures that were previously prohibited by law to fulfill the intent of the TRDP to maintain good dental health for retirees and their family members. With this modification the TRDP benefit plan achieved equity with the active duty dental plan.

For full equity, another step is necessary. The Department should assist retirees in maintaining their dental health by providing a government cost-share for the retiree dental plan. With many retirees and their families on a fixed income, a government cost-share would ease the financial burden on this population and promote a seamless cost structure transition from the active duty dental plan to the retiree dental plan.

Additionally, we ask the Committee to include overseas beneficiaries in the retiree dental plan. These beneficiaries have earned this benefit with their service to this nation's security.

### **TRICARE Prime Remote**

The Alliance would like to reiterate its gratitude for Sec 702 in the FY 2003 NDAA, which allowed dependents residing at remote locations to retain their TRICARE Prime Remote benefit (TPR) when their sponsor's are sent on an unaccompanied assignment.

However, there still remains the issue that these benefits are authorized only if the dependents remain at the former duty station. There are too many reasons why the remaining family may need to relocate to another area while the sponsor is on his/her unaccompanied tour. In many of these instances, the government will even pay for the family's relocation, but will not allow them to retain their TPR eligibility if TRICARE Prime is not available in the new location.

With so many of our service members, especially the Guard and Reserve who are most likely to utilize the TPR benefit, being mobilized and sent overseas, it is imperative that the government ensures that the remaining family members receive the finest and most cost effective health care possible.

The Alliance requests that the Subcommittee direct the Secretary of Defense to authorize eligible family members to retain TRICARE Prime Remote eligibility when they move to another Prime Remote area while their sponsor is overseas.

### **Coordination of Benefits**

Prior to 1995, the Department of Defense shifted its policy of the 115% billing limit (TRICARE only recognized amounts up to the 115% of the TRICARE allowable charges for each procedure even though providers may charge any amount for a particular service) in cases of other health insurance from a "coordination of benefits" to a "benefits-less-benefits" methodology. This new policy, unlike the standard billing policies used by TFL, FEHBP and the civilian sector, adds significant health care cost to the servicemembers, their dependents and survivors.

Under the "coordination of benefits" policy, any third party insurer would pay first, and then TRICARE would pay any remaining costs, up to what

would have been paid if TRICARE had been first payer. Example: a physician bills \$500 for a procedure that has a TRICARE allowable rate of \$300. The beneficiary's OHI pays \$400 for this procedure. TRICARE would pay the remaining \$100 since if it were the primary payer it would have paid \$300.

Under the "benefits-less-benefits" policy, TRICARE will not pay any of the cost shares if the beneficiary's other health insurance pays an equal amount or higher than the 115% billing limit. Example: a physician bills \$500 for a procedure that has a TRICARE allowable rate of \$300. The beneficiary's OHI pays \$400 for this procedure. TRICARE will not pick up the remaining \$100 since the other insurance paid more than the 115% of the TRICARE allowable charge.

This shift in policy unfairly penalizes the TRICARE beneficiary who is actually saving DoD money by using their other health insurance first.

The Alliance strongly urges the Subcommittee to direct the Secretary of Defense to eliminate the "benefits-less-benefits" 115% billing limit and reinstate the coordination of benefits policy.

#### UNIFORM FORMULARY

The Alliance is committed to work with DoD and Congress to develop, monitor and maintain a comprehensive uniform pharmacy benefits. Section 701 of the FY 2000 NDAA mandated the expansion of the basic core formulary, a Beneficiary Advisory Panel and a three-tiered formulary.

The Alliance is grateful for the change to provide input into the program, as representatives on the Beneficiary Advisory Panel and will continue to direct our efforts in ensuring that the final formulary is as broad as possible, the medical necessity appeals process is as streamline as possible and that the education and communicate with the beneficiaries on the scope of the benefit is as all-encompassing as possible.

The Alliance urges the Subcommittee to ensure a robust, reasonable and well-communicated pharmaceutical program is offered to the military health care beneficiaries.



## TRICARE NEXT GENERATION OF CONTRACTS

Throughout this year, the Department of Defense will implement its new TRICARE health care contracts. This is a major and very complicated task and it is imperative to make this implementation process as smooth and transparent to the beneficiary as possible.

The simplest of transitions can be turbulent. With the start of the new TRICARE contracts, retail pharmacy services and appointing services, most importantly, have been carved out of the regional contracts. All efforts must be made to assure that the beneficiary will not be confused about where to go for information about service delivery, how to access services, nor how to resolve problems which they encounter. For the beneficiary who previously had a one-stop shop routine, this requires well thought out, timely, and repeated communication, which is accurate, and exactly the same across all communication sources. This takes planning and instruction well in advance of the delivery start-work date.

The Alliance requests that the Subcommittee monitor this aspect of the implementation of these new TRICARE contracts and ensure a single source for assistance to resolve problems, especially when the problem revolves around the interface of multiple contracts and contractors. Timely and effective communication with all beneficiaries is critical to the successful implementation of the new TRICARE contracts and continued beneficiary satisfaction with the TRICARE program.

In addition to this customer service component, there are two other areas of concern during transition and implementation.

### 1. Resource Sharing

Resource sharing has provided a very necessary tool to recruit, place and manage healthcare personnel (doctors, nurses, technicians and administrative staff) to fill short and long term vacancies in the Military Treatment Facilities (MTF's). This policy allows the MTF to meet its goal to increase its patient capacity and shorten its access timeframes for all users of the MTF in a truly cost effective and efficient manner.

Resource sharing currently is managed in the civilian component of the Military Health System by the MCSC who manages this function regionally

with collaborative concurrence by the appropriate MTF Commander and Lead Agent. Under the next generation of managed care support contracts, this function is removed from the MCSC and moved to Service responsibility so that each MTF commander will arrange for these services on a facility-by-facility basis.

Our concern is with the transition. Each agreement will expire at the start of the new managed care contracts in each region. No mechanism is in place to assure to the beneficiary population that the services provided by some 600 resource sharing agreements currently in place will be available on day one of the new contracts. Not only will this put the healthcare of users at risk, but it will put in jeopardy the jobs of 3,000 dedicated employees who currently provide services under resource sharing agreements.

The Alliance recommends that the Subcommittee seek assurance from the Secretary of Defense and the Surgeon Generals that services under resource sharing agreements will not be lost as we transition to the new contracts and to formalize the mechanisms to achieve that end in a timely fashion.

## **2. Continuity of Care**

Our final transition concern is that while it is inevitable that there will be some change among network providers as one Managed Care Support Contractor takes over geography that it previously did not serve, the Alliance seeks assurances that the beneficiary in treatment for a particular condition be able to continue receiving care through the same provider throughout the course of that treatment, in the instances where the provider does not join the new network. This is critical to continued quality patient care and beneficiary satisfaction.

## **NATIONAL GUARD AND RESERVE HEALTH CARE**

The War on Terror has already gone from a short-term endeavor to being described as a multi-generational, prolonged engagement which will require more than the thirty-seven percent of the Guard and Reserve forces who have already been called up to duty.

The Alliance would like to express our gratitude for the Subcommittees addressing the expanded health care needs of our National Guard and Reserve Forces. However, health care readiness remains the number one

problem when mobilizing the Reserve Component. Studies have shown that between 20-25 percent of the National Guard and Reserve are currently uninsured. These members, though not serving 24/7 are on call to be activated at any given notice. They must be physically and dentally ready to be able to be deployed and perform the duties required of them.

The steps towards expanding military health care for Reserve Components and their families with the inclusion of Sections 701, 702, 703, and 704 (P.L. 108-136) is decidedly appreciated, but there needs to be more done to ensure that the Reserve and Guard are ready to engage in battle.

Therefore, the Alliance urges the Subcommittee to expand full health care coverage to the Guard and Reserve in order to support full medical, physical and emotional readiness for the Guard and Reserve.

The FY 04 National Defense Authorization Act authorized TRICARE coverage for unemployed and uninsured Guard and Reserve. However, Congress tied the program to an end-year deadline. Due to administrative difficulties, TRICARE has yet to implement this new program. The Alliance would like to see this program implemented as soon as possible. And to make it a viable program, not only for the eligible beneficiaries, but also for DoD, extend this program to cover a full year, from the date of implementation. This will allow the Guard and Reserve to actually use their benefit and, DoD to fully test the program for participation and cost.

In addition to permanent Reserve Health Care Programs, the Alliance recognizes that Dental readiness is a concern within Guard and Reserve Health Care programs.

### **1. Pre Deployment Dental Readiness**

Dental readiness is still the number one problem in deployment. The National Guard and Reserve Component members are required to maintain a certain level of dental readiness for deployment.

While the Department of Defense does offer a dental program to the National Guard and Reserve Component members and their families, only five percent of eligible members are enrolled. This low participation rate indicates that a large portion of the RC may not be dentally ready for deployment.

Recognizing this, Congress wrote section 701: Medical or Dental Screening at no Cost for Ready Reserve Members (P.L. 108-136). This section did not go far enough. First, the law requires screening for members who have been alerted for mobilization. However, in most cases, the initial alert period does not give the service member enough time to obtain said screens or corrective measures. Secondly, this benefit is extremely ineffectual. The medical and dental screens are dependent upon the Secretaries providing the authorization and the funding.

The Alliance requests that the Subcommittee expand the dental screening program to a yearly benefit.

## **2. Post-deployment Dental Readiness**

When deployed overseas, dental hygiene and dental diagnostic and preventative care is difficult to maintain. To offset this, DoD policy has been to provide an examination screening and repair for deployed military members. If post-deployment Reserve Component members are not provided with these exams, corrective coverage is only allowed at a Military Treatment Facility for 30 days in a space available status after deactivation. The RC members have a lower priority than Active Duty family members, who historically have difficulty getting dental treatment themselves. It is incumbent upon DoD to return post-deployment RC members to a dental readiness status. It is incumbent upon DoD to return post-deployment RC members to a classification T-D dental readiness status. If MTF access is not available, then DoD should subsidize TRICARE Dental coverage for a period of 120 days to permit repairs

The Alliance urges the Subcommittee to extend the same post deployment dental coverage to the National Guard and Reserve Component.





**Written Testimony of**

**David J. McIntyre, Jr.  
President and CEO  
TriWest Healthcare Alliance**

**Before the**

**Committee on Armed Services  
Subcommittee on Total Force  
United States House of Representatives**

**March 18, 2004**

### Introductory Comments

Mr. Chairman, and distinguished members of the House Armed Services Committee's Subcommittee on Total Force, I would like to thank you for the invitation to once again appear before you to discuss the state of the TRICARE program and TriWest Healthcare Alliance's role as the health services and support contractor responsible for the new, 21-state TRICARE West Region.

My name is David McIntyre. I am the president and CEO of TriWest Healthcare Alliance, a private, for-profit corporation that was formed in 1995 for the express purpose of bidding on the TRICARE managed care support contract in the 16-state area bid as Regions 7 and 8 and later consolidated to create the Central Region. After seven years of successfully providing world-class customer service and access to health care for TRICARE beneficiaries in this region, TriWest bid on and was awarded in 2003 the TRICARE Next Generation contract for the new, 21-state West Region. Soon, our company will serve more than 2.6 million members of our nation's military family across a geographic area that encompasses more than half of the landmass of the United States.

### TriWest's Unique Business Model and Ownership Structure

When TriWest was formed in 1995, our singular focus was on developing a business model and ownership structure that would most effectively allow us to provide the best service and support to TRICARE beneficiaries in the Central Region.

A core group of individuals, including myself, worked together to solicit the support and backing of civilian health plans across the 16-state region. Based at the local level, this group of health care entities, each expert in their regional area, came on board with a dual purpose: to infuse capital and serve as TriWest's owners, and to serve as our subcontractors responsible for building and managing provider networks in each of their respective locations. This unique locally-based approach allowed TriWest to quickly form an experienced ownership team while, at the same time, develop a high-quality, capable provider network willing to serve TRICARE beneficiaries once the Central Region contracts commenced.

With our ownership structure in place, TriWest then reached out to regional and national military and civilian constituencies in the Military Health System (MHS) leadership, as well as to beneficiary organizations and Members of Congress, to determine each group's vision for the ideal TRICARE experience. Drawing on advice and recommendations from these key players, TriWest developed a business model for administering the TRICARE program that focused on doing whatever it takes to meet the needs of our nation's active duty and retired military members and their families. Our unique business plan and contract proposal met with approval from the Department of Defense (DoD), and secured the TRICARE Regions 7 and 8 (later the Central Region) managed care support contracts.

As a result, nearly eight years ago, TriWest became the first alliance of locally-based health care organizations to bid on and, in turn, deliver services under a TRICARE regional contract. And, we remain the only alliance-based company engaged in this

business today. It is clear that one of TriWest's strengths has been our local-market approach to building and managing provider networks in what are clearly some of the most difficult markets for government programs in this country. Our success has been accomplished by leveraging the significant market presence of our owners and continually striving to make good on the promise of TRICARE for the deserving beneficiaries residing in our vast region.

#### TriWest Grows with Next Generation of TRICARE Contracts

It has been invigorating and inspiring to be in the business of TRICARE over these last few years, particularly as Dr. Chu, Dr. Winkenwerder and their team studied the state of the program and tackled the difficult task of constructing the best management structure and approach for successfully operating TRICARE well into the 21<sup>st</sup> century. This task was critical, complex and enormous, and the solution these individuals proposed—consolidating the multiple managed care support contracts into just three health services and support contracts and carving out certain key elements of the program including pharmacy, marketing/education and appointing services—promises to deliver the best of TRICARE to the deserving military families across our nation and abroad.

Early on, TriWest recognized the wisdom and foresight embodied in the plan to consolidate regions and contracts, as we had done so years prior at no additional cost to the government with the consolidation of Regions 7 and 8 into the Central Region, and we stood in support of Drs. Chu and Winkenwerder, and others on the conceptualizing team, as they brought their vision for the next generation of TRICARE contracts into focus. We recognized that, in order to make TRICARE work most effectively for beneficiaries, operational revisions were needed, and we were determined to be a part of that solution.

Drawing on our years of experience as the Central Region managed care support contractor, gleaning insight and support from our team of owners and bringing our best business practices to the table, TriWest submitted its West Region bid on Jan. 28, 2003, followed soon thereafter by a six-hour oral presentation. On Aug. 21, 2003, we received notification from the TRICARE Management Activity (TMA) that we had, indeed, been named the West Region health services and support contractor for this next generation of TRICARE contracts.

Not only was our contract proposal focused on operational and management approaches that are destined to improve customer service, access to high-quality health care and beneficiary satisfaction, but also on securing these very improvements in a manner most cost-effective for taxpayers and beneficiaries alike. Building on the foundation established when we were initially selected in the summer of 1996, TriWest added four new Blue Cross Blue Shield plans to our ownership ranks with procurement of this new contract, ensuring that the new states coming under our umbrella would have a voice in this organization and that the provider networks in these new areas would be managed in the same, proven fashion.

As you and other leaders are acutely aware, the success of TRICARE depends on securing and improving access to health care at the local level. Making this task doubly challenging, the majority of our military posts and bases are located in rural areas with minimal access to health care providers. TriWest's unique business model and network building efforts are focused on developing the most comprehensive networks possible in these areas while providing additional resources to our valued beneficiaries. This locally-based approach creates a home-town feel for a nation-wide system, helping ensure that TRICARE beneficiaries (regardless of where they reside) receive high-quality service and care.

#### National, Regional and Local Collaboration Define Our Vision for Success

As evident in our ownership structure and business approach, TriWest's foundation lies in our collaborative efforts at the local, regional and national levels. Our history of joining forces with our military/government counterparts at the leadership and military treatment facility (MTF) level in the Central Region is extremely strong, and, while we continue to enhance our existing relationships, we are quickly building new ones as we transition into the West. This innovative approach to making good on the promise of TRICARE has served our beneficiaries well, and has allowed TriWest to develop joint ventures in the civilian and military medical communities that help to increase the quality of health care and the convenience of access system-wide.

Our Blue Cross Blue Shield and university hospital system owners/network subcontractors continue to work diligently at the local level to maintain and expand our TRICARE networks across the region. Network development efforts in the new West Region states are moving along at a brisk pace, and our new owners are focused most attentively on securing a solid network of high-quality providers dedicated to serving our region's military families.

By maximizing the resources and expertise of our locally-based owners, each of whom has a long history of building strong relationships and maintaining substantial provider networks in their local communities, we are able to sustain a quality provider base for our deserving beneficiaries. In fact, working efficiently and proactively, our new owners have already established a significant number of provider contracts in our new West Region states, and are more than half way to our goal of matching by 85 percent the current high-volume network previously maintained by the region's outgoing contractor.

Similar progress is being made by our existing owners in our Central Region states. Our Central Region owners have most pointedly been focused on developing a network of providers for behavioral health care—services that were the responsibility of a behavioral-health subcontractor in our Central Region contract but will now come under our umbrella as we move into our West Region contract. More than six months before start of health care delivery in these states, our owners have already received 60 percent of the behavioral health contracts they submitted to providers across the region.

Contracting in the behavioral health arena will support our move to the first fully-integrated behavioral/medical-surgical operation of its kind in this space. Given the



unique stressors faced by this beneficiary population—particularly during this time—we have decided to integrate the coordination of care and support for the entire spectrum of needs of the beneficiary.

In other collaborative efforts focused on improving service and support to our new region, TriWest has developed a new relationship in the West Region in an effort to alleviate claims-processing challenges in this next generation of TRICARE. Determined to enhance the progress and proficiency of TRICARE claims processing, TriWest built into its West Region bid proposal an exclusive health services and support contract claims-processing relationship with Wisconsin Physicians Service (WPS) of Madison, Wisconsin. WPS has a long and successful history as a TRICARE claims processor, and TriWest's leadership team determined that the best way to promote timely, accurate claims processing and exemplary customer service for our providers and beneficiaries in the new, 21-state West Region would be to team with this respected organization.

WPS and TriWest have a strong and flourishing relationship. Not only are our two organizations developing claims-related policies and procedures together, but we also have been jointly educating existing providers about our relationship (and have plans to educate incoming providers as start of health care delivery nears) and are currently working cooperatively to complete the construction of a web-based claims-submission/claims-research system that will be available on our web site, [www.triwest.com](http://www.triwest.com). These combined efforts will give our providers and beneficiaries access to experienced, capable claims-processing professionals who are as dedicated to TRICARE as are TriWest's devoted staff, as well as to a system that will optimally meet their needs. We are extremely pleased with this effort and look forward to the improvements it promises to bring to claims processing and provider and beneficiary satisfaction throughout the West Region.

We will also be continuing our existing Central Region resource-sharing relationship with Spectrum Healthcare Resources in our West Region contract. Spectrum has unmatched expertise in managing the provision of clinical support services which are critical to maximizing direct-care system resources, and we are pleased to be continuing that relationship—working together to assist MTFs in maximizing their capabilities. By supplementing the professional manpower in our West Region MTFs with cooperative and capable civilian providers, we are striving to create a means by which our beneficiaries receive the timely access to care and the focused health care services that they deserve.

At TriWest, we recognize that we (and, in turn, the TRICARE program) are only as strong as the sum of our parts—and those parts include the dedicated individuals under our corporate umbrella as well as those linked with our organization through collaborative relationships. Our philosophy is that, by bringing together a team of professionals, experts and supporters—each dedicated to improving the business of TRICARE—we can provide our region's beneficiaries with the best possible service, support and care available while encouraging others within the system to consider solutions inspired by our proven, best-business practices.

In that vein, we are pleased to see that the next generation of TRICARE contracts put at the head of each regional area a TRICARE Regional Office. Our initial joint initiative, which dates back to the beginning of our Central Region contract, was the development of a relationship with our military Lead Agency to consolidate once-separated regions (former Regions 7 and 8) and create a stand-alone regional office—a practice the DoD is now using throughout the system. We worked closely with our Central Region Lead Agency to develop a cooperative working relationship unlike that held by any other managed care support contractor, including the creation of the only combined web site from a contractor and its Lead Agency. Our joint efforts with the Central Region office enhanced the efficiency and effectiveness of our operations and resulted in savings to the government, and we are pleased to see this approach moving into the next generation of TRICARE.

In fact, we have already established a similarly strong relationship with the TRICARE Regional Office-West (TRO-West), which oversees our West Region contract. On Nov. 24, 2003, Rear Admiral James Johnson became full-time Regional Director over the TRICARE West Region. I couldn't be more pleased with his selection. He is focused, knowledgeable and very capable. While I know that his surrendering the command of Naval Center San Diego to take on this role may have appeared to some to be a step backwards, his presence and work on behalf of optimizing the operation of the West Region is going to go a long way in ensuring the region's success!

Admiral Johnson and I have brought our teams together to form a coalition dedicated to developing the best processes for our West Region beneficiaries, providers and military associates. We are now beginning to reach out to the leaders of the military's direct care system across the 21 states to invite them to join the coalition. I am pleased that Admiral Johnson is at the West Region helm and I strongly share his triple-tiered service and business philosophy:

- People are our most important asset,
- Beneficiaries are our focus, and
- Our success is judged by those we serve.

These critical statements define the focus of TriWest and TRO-West, and reflect our joint dedication to serving and supporting the individuals within our regional fold. It is from this base that we have developed a joint strategic plan that will guide our work as we seek to accomplish a seamless transition through the implementation of the next generation of TRICARE in the West Region.

With the changing face of our nation's military and TRICARE's expansion of programs and services for Reserve and Guard members and their families, TriWest has also taken a renewed interest in forming relationships that allow us to optimally serve and enhance access to services for these important members of the TRICARE family. The needs of our nation's Reserve and Guard families are unique, and we are determined to provide the same quality of services to these beneficiaries that we strive to provide for all others who utilize the TRICARE program.

In one such effort, TriWest has built a relationship with the National Committee for Employer Support of the Guard and Reserve (ESGR) organization. ESGR was established in 1972 to promote cooperation and understanding between Reserve Component members and their civilian employers, and to assist in the resolution of conflicts arising from an employee's military service. The DoD has tasked the ESGR to "...promote both public and private understanding of the National Guard and Reserve in order to gain U.S. employer and community support through programs and personnel policies and practices that shall encourage employee and citizen participation in National Guard and Reserve programs" (DoD Directive 1250.1). Determined to be a part of any solution that supports the men and women wearing our nation's uniform, TriWest is pleased to have been identified by the ESGR as an employer that supports the Guard and Reserves.

While reaching out to America's Guard and Reserve component, TriWest also recognizes the needs of other uniformed services members, including those in the United States Public Health Service. TriWest keeps these and other uniformed services-based organizations in mind while making key strategic decisions.

We also welcome and anticipate the opportunity to serve the Coast Guard through the next generation of TRICARE contracts. To facilitate our understanding of their needs, we have already been hosted by the Coast Guard leadership in Kodiak, Alaska, North Bend, Oregon, and elsewhere in the Pacific Northwest and along the coast of California.

In addition, we continue to expand our work with the Department of Veterans Affairs (DVA) in order to maximize the use of federal resources throughout our region and system-wide. Fostering collaboration and coordination among the DoD, DVA, the Regional Director's office and TriWest is the focus of our Joint Strategic and Operational Planning Process (JSOPP) initiative. The successful outcomes of our original DoD/DVA collaborative initiative—the Central Region Federal Health Care Alliance—led TriWest to focus on deploying this strategy across the new West Region through the JSOPP. This joint effort in strategic and operational planning maximizes the resources available to military family members, enhances benefit allocation, optimizes network management, streamlines administrative processes and improves joint short- and long-term system planning. It is built from the successful base of our multi-year focus on enhancing the working relationship between the DoD, DVA and private sector in several areas of the TRICARE Central Region.

Managing health care costs associated with the TRICARE program in an efficient, value-added manner is one of TriWest's primary objectives. Collaborating with the DoD, DVA and others through JSOPP enables TriWest to develop new strategies and programs that will help provide the best service and options for military families. By doing so, TriWest will help minimize health care costs across both the private and public sector.

Beyond JSOPP, we continue to focus in the critical area of maximizing the coordination of care for the beneficiaries whom we are entrusted to serve. As we roll out this new

contract, we are further enhancing our medical management focus with the latest tools available in the marketplace.

### Optimizing Service Through Modifications to Operational Approach

While TriWest has made modifications to some of our current operational approaches for the West Region, we have built these changes on a strong base and out of a long and successful history of operating optimally in the Central Region. By taking concepts that have worked for us in the past and making improvements for the growing demands of the future, we are confident of our continued success as we transition into the West.

For instance, to further focus on service at the local level, TriWest has opted for a dual-headquarters approach for the next generation of TRICARE. Once headquartered only in Phoenix, Ariz., with TRICARE Service Center (TSC) customer-care locations at each base/post within the Central Region, we have now divided our headquarters operations between Phoenix and San Diego.

To capitalize on the level of commitment, experience and dedication we have in our established Phoenix-based staff, Phoenix will remain our Operational headquarters where all primary functions (and the leadership team that oversees them) will be housed. To maximize our relationship with the TRO-West and increase the opportunities for continued development of our growing relationship through geographic proximity, San Diego will serve as our Strategic and Policy headquarters. In this manner, TriWest and TRO-West leaders will be, literally and figuratively, side by side as we launch into our new West Region community.

All told, our operational approach under the new West Region contract will be even stronger than before. Recognizing the strength in a centralized approach to operations and a local approach to service, we have established six hub locations (in Tacoma, San Diego, Phoenix, Colorado Springs, Honolulu and Anchorage) where optimization, clinical and customer service functions will be performed. Each hub will oversee such responsibilities as provider network development and relations, case management and clinical inquiries, enrollment and customer service functions, and field operations and market area planning and management. Each hub will also house an arm of TriWest's call center operations, and beneficiaries will be routed to the appropriate hub call center for service based on details provided through our interactive, comprehensive telephone system. This approach to service will offer the region's beneficiaries customer service in their own backyards—service that is local in focus and will best suit their needs.

In a continued approach to providing focused local service, TriWest's TSC locations under the West Region contract will be available exclusively for walk-in beneficiary inquiries and requests for assistance. Under the first generation of TRICARE contracts, our TSC employees were available for both in-person and telephonic assistance, but this approach divided our customer service representatives' attention and forced them to struggle to meet the needs of both face-to-face and telephone service requests. By separating self-service (via hubs and our interactive telephone system) and in-person (via



TSCs) support functions, TriWest is confident that our West Region beneficiaries will receive the customer care they need in the manner with which they are most comfortable.

We are equally confident that by adopting responsibility for administering all facets of TRICARE's behavioral health coverage (duties that, as noted previously, were managed by a TriWest subcontractor in our first-generation TRICARE contract), we will succeed in providing our region's beneficiaries with access to high-quality behavioral health care from an extensive network of dedicated providers. We have assumed claims-processing, network-development, utilization-management, case-management and beneficiary and provider education responsibilities for behavioral health services, and believe that by centralizing management of all medical/surgical and behavioral health care services under one roof, we will be able to provide our deserving beneficiaries with consistent, high-quality service and care across the full range of TRICARE coverage for which we are responsible.

#### West Region Transition Continues TriWest's Trend Toward Success

Transitioning into the West Region is a monumental task for which TriWest has created a detailed strategy. In all, 45 transition projects (and 91 sub-projects) are currently underway, spanning all functional areas of TriWest's operations.

To help measure the progress of our transition initiatives, TriWest has broken the projects down into "green," "yellow" and "red" progress categories. Green projects are on track and progressing as expected (80 percent of transition projects fall in this category); yellow projects are facing slight challenges and are being approached with slight caution (just 20 percent fall in this category); and red projects are expected to fail without immediate, conscious attention. TriWest is pleased to report that at this time none of our transition initiatives are in the red category, and that action plans for securing success of yellow projects are in place and all concerns are being thoroughly addressed.

Recognizing that there are only a few short months until health care delivery under the new contract commences (June 1 in Oregon, Washington and Northern Idaho and July 1 in Alaska, California and Hawaii), several key transition projects have been completed or are near completion, and our team is meeting major milestones on our way to full preparedness for launching services in the West Region.

For instance, our claims initiatives are making impressive strides. In fact, earlier this month we completed benchmark testing of our joint claims-processing system at WPS. During this benchmark testing, not only did we take our conceptual medical/surgical claims (80 percent) procedures and analyze how they function in the real-world environment, but we analyzed the functionality of our behavioral health claims (20 percent) as well. Taking our conceptual claims procedures and analyzing how they function in the real-world environment, the TriWest and WPS claims team found no major issues with functionality, efficiency or process. These findings reinforce our confidence and keep us focused on successfully improving claims processes as we enter the West Region.

Transition achievements in the area of facilities are also progressing smoothly. Several of our West Region TSCs are already fully wired and online with TriWest's data and phone networks. Renovation of our Tacoma hub location is also underway and will be ready for occupancy early next month. In an unprecedented cooperative effort with Health Net Federal Services, the outgoing contractor in our new West Region states, TriWest will utilize several existing Health Net facilities for our West Region operations and we have made arrangements to procure much of the hardware and furnishings already available in these office spaces as well.

Our technology initiatives are also briskly moving forward. Establishment of information technology (IT) infrastructures at new West Region locations is on track, and benchmark testing of these vital functions is being performed. Our IT team has worked diligently to build relationships with various technology vendors in these areas to secure optimal functionality of our data and communications as each of these locations begins operations.

Another key area of IT progress is our now-operational "Provider Automation" process. Working closely with TriWest's Provider Services department and WPS, our IT division has developed a comprehensive solution to provider contract processing and storage that improves efficiency in a virtually paperless fashion. This process allows for the scanning of incoming provider contracts that can be verified, approved and stored electronically without requiring extensive paperwork, additional storage space or manpower to maintain files.

In the areas of recruitment and hiring, we are again seeing significant progress. As we transition into our West Region contract, we will double both our company size and our employee numbers, growing our operations to meet the expanded needs of this new region. Nearly 80 percent of employees for our Oregon, Washington and northern Idaho operations have been hired to date. Recognizing the value of trained personnel dedicated to the promise of TRICARE, TriWest has worked with Health Net to transition some of its employees into our corporate ranks. We are pleased to have developed this relationship with such a strong and dedicated organization as Health Net and look forward to welcoming these transitioning employees into the TriWest family.

Although we are meeting some recruitment challenges in hiring clinical staff in California, primarily due to a nursing shortage resulting from the new state legislation on nurse-to-patient ratios, we expect to meet our staffing requirements long before this segment of the region becomes operational. Several job fairs have been scheduled for both California and Hawaii, and we anticipate significant response through these events.

As we near the launch of operations in northern Idaho, Oregon and Washington in April, we are eagerly anticipating the beginning of health care delivery in the remainder of the region in the coming months. Our transition plans were developed at the same time as our West Region contract bid, ensuring that efforts to make our operations functional could commence immediately upon contract award. We are pleased to report that this prior

planning has made preparations for our journey into the West Region run smoothly and successfully.

A Collective Approach to Improving TRICARE: Addressing Policy Issues as a Team

At TriWest, we are dedicated to establishing innovative approaches to providing the best possible service and access to health care to TRICARE beneficiaries. We strive to think outside the box and develop initiatives and solutions that improve beneficiary satisfaction and, in many cases, health care outcomes. It is important to TriWest to share our initiatives with the entire TRICARE community in the event that programs and services that have proven successful in our realm may be beneficial to other regional contractors as well.

Because TriWest is not content to let processes that are not functioning at optimal levels suffer from lack of attention, it is our mission to address TRICARE issues as they surface. For this reason, I would like to share a number of policy issues currently facing the program that I hope, as a team, we in the business of TRICARE can respond to together.

First, we recognize that there will continue to be a need in the coming years for refinement of benefit design to meet the goals of Congress, the Administration and, as always, the beneficiaries of this great program. At the same time, we see a need to ensure ample focus on maturation of the entire health care system as TRICARE moves forward through the transformation of services, base realignments and closures and TRICARE refinement.

Second, as illustrated in our business approach and our growing relationship with ESGR, we see a need to optimally serve all military families, active duty and retired, as well as Guard and Reserve families now under the TRICARE umbrella. We as a nation are increasingly relying on these individuals who are dedicating their lives to our country's military causes and we need to develop system-wide approaches that focus on providing these men, women and children with service and support that exceeds their expectations. We at TriWest stand ready to support the DoD in this most important matter and are eager to participate in collaboratively-developed pilot projects intended to find the right solution to the challenges of enhancing the health care available to the Guard and Reserves and their families.

Third, it is important that we join together to get a better grasp on the outlook for current and future health care spending. With the assistance of the Congress, the DoD has made significant progress over the past few years in improving its ability to anticipate health care costs and to provide realistic budget estimates for the Defense Health Program. That being said, it is clear that the current budgetary imperatives occasioned by the liberation of Iraq and the continued efforts to support the growth of democracy in Bosnia, Kosovo, Afghanistan and other places will have implications for the Defense Health Program and on TRICARE budgeting. I believe it is necessary for those of us in this business to determine how to make collective choices that ensure the best balance of access to care, use of the program and impact on taxpayer dollars. Here also, we at TriWest look

forward to working with the DoD to meet the challenges and to ensure that both the near-term and long-term allocation of resources is available to support the optimization of the MHS, the satisfaction of all our beneficiaries and the best value to the government.

And, fourth, in an effort to grow the services and programs available under TRICARE, we also recognize the need to continue leveraging the bricks/mortar and personnel resources currently available throughout the MHS and make them work most efficiently for our military families. This includes addressing resource-sharing needs to optimize available care within the MHS while ensuring that the continuity and quality of patient care in the MTFs is not placed at risk, as well as focusing on technology issues—most prominently, the Enterprise-wide Referral and Authorization System (EWRAS)—to help ensure that our valued beneficiaries receive timely access to quality care and that providers are supported with efficient tools. It is our responsibility to make certain that the military families entitled to TRICARE receive optimal service, and we can do that by leveraging the MHS resources that are already available to us all.

#### A Strong Team, A Strong Next Generation of TRICARE

I believe that one of the measures that will ensure success in the short- and long-term is the way in which the three organizations that secured next-generation TRICARE contracts work together for the betterment of the system. I am pleased to report that the future is very bright!

As we have secured the contract for the West Region, our colleague Health Net is now headed north where I believe they will do a solid job in delivering on the promise of TRICARE. I wanted to take this opportunity to applaud my colleague Jim Woys of Health Net and his entire team for the collegial way in which they have worked with me and my team through this entire transition. They are a class act, and their selfless efforts have gone a long way in minimizing the difficulty that we and the beneficiaries of the West Coast states could have faced during this transition.

I also want to share with you that Jim Woys, Dave Baker, our colleague from Humana, and I have begun to regularly meet to discuss common issues of interest as we move through the implementation of these new contracts. We believe that by coming together on a regular basis and defining some common priorities on which to apply effort that we will be able to effectively do our part to support the further maturation of this critical program.

#### Concluding Remarks

In closing, we at TriWest have a history of doing right by TRICARE beneficiaries and of being the right partner for the DoD. We look forward to continuing to provide outstanding service and support as we transition our responsibilities into the West Region where we are fortunate to serve an expanded 2.6 million beneficiary base. Like the pioneers of the past, we are taking our journey west in search of an opportunity to provide incredible service to our deserving beneficiary population and to proudly support the men, women and children in America's military family.



We are an ambitious team at TriWest and we are dedicated to analyzing the needs of our beneficiary customers and implementing the programs and services that best meet those needs. It is my pleasure to work with such a focused group of individuals whose hearts are in the right place, whose intentions are commendable and whose efforts to improve TRICARE are ever increasing. With pride, we have taken what could have been a daunting challenge and turned it into a successful opportunity to provide the best possible service under the TRICARE program.

As President Theodore Roosevelt once said, "Far and away the best prize that life offers is the chance to work hard at work worth doing." That is how we at TriWest look at our work with the TRICARE program. It is our privilege and honor to provide service to the brave men, women and families of our nation's past and present military community, each of whom has sacrificed so much in defense of our freedom. We salute America's military families and march into our new West Region territory with the confidence that we can provide these deserving individuals with the support and care they so admirably deserve.

WRITTEN STATEMENT BY  
MR. JAMES E. WOYS  
PRESIDENT  
HEALTH NET FEDERAL SERVICES, INC.  
BEFORE THE HOUSE COMMITTEE ON ARMED SERVICES  
TOTAL FORCE SUBCOMMITTEE  
UNITED STATES HOUSE OF REPRESENTATIVES

March 18, 2004

## **Introduction**

Mr. Chairman and distinguished members of this Subcommittee, thank you for this opportunity to share with you our experiences in the TRICARE Program and offer perspectives from a long-time participant in the program and the managed care support contractor for the new TRICARE North region.

Health Net Federal Services (Health Net) has had the privilege being involved in military health care for over 16 years. We take pride in our accomplishments – working from the first tentative steps of CHAMPUS Reform Initiative, slowly building to the highly evolved TRICARE programs of today.

Under the next generation of TRICARE contracts, Health Net has been given a rare opportunity. The challenges presented by the new TRICARE contracts gave us the opportunity to take what we have built over the previous years, look at it in a new light and come up with a new way to do business.

The result of Health Net's reinvention of its business is a solution that is focused on performance outcomes for our customer while incorporating quality into every aspect of our operations. Our solution builds on what has worked successfully for us today, and introduces new, exciting services and technologies that will serve the program and our customers.

### **Background**

Health Net has been with the Department of Defense (DoD) since the beginning of the TRICARE Program, previously known as CHAMPUS. We were awarded the first CHAMPUS Reform Initiative (CRI) contract in California and Hawaii in 1988.

Health Net is the current Managed Care Support Contractor (MCSC) for five TRICARE Regions and the State of Alaska under three managed care support contracts, covering over 2.5 million TRICARE eligible beneficiaries. Our contracts currently cover the following States: Oklahoma, Texas (excluding El Paso), Arkansas, Louisiana (excluding New Orleans), California, Yuma, Arizona, Washington, Oregon, Hawaii, Alaska, and Northern Idaho. Health Net and its subcontractors have over 4,500 associates across the country serving our three managed care support contracts in 11 states.

On August 21, 2003, the DoD awarded the next generation of TRICARE Contracts that will provide healthcare services to over 8 million uniformed services beneficiaries to Health Net Federal Services, Humana Military Health Care Services, and TriWest Healthcare Alliance.

The new TRICARE Contracts will replace the current seven contracts over the next 10 months and be restructured into three TRICARE Contracts encompassing three regions within the United States: the North Region, South Region, and West Region.

Health Net was awarded the newly formed TRICARE North Region which is comprised of the current Regions 1 and 2 and 5 providing healthcare services to 2.7 million uniformed services beneficiaries. The North Region will include: Connecticut, Delaware, the District of Columbia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia, and Wisconsin. In addition, the contract covers a small portion of Tennessee, Missouri and Iowa.

The transition into the new contracts began on September 1, 2003. Health care delivery for the newly aligned region begins in June of 2004. The North Region will be phased in, starting with the current Regions 2 and 5 states on July 1, 2004 and current Region 1 states on September 1, 2004.

Health Net Federal Services' parent company, Health Net, Inc. (HNI), is one of the nation's largest publicly traded managed health care companies. Its mission is to help people be healthy, secure and comfortable and to enhance the quality of life for its customers by offering products distinguished by their quality, service, and affordability.

My objective is to provide you with information on our performance in the current TRICARE managed care support contracts, offer status on the phase-out activities relating to the current contracts, as well as, present a status of transition activities for the new TRICARE North Contract. I will also share with you our successes in the DoD/VA sharing arena. As we move forward into a stronger TRICARE Program, there are areas that still require attention. I will offer our issues and concerns relating to those areas.

### **Current Contract Performance**

Health Net's first obligation is to fulfill its current contract requirements and maintain a level of performance that exceeds our contract standards. It is extremely important that while the Military Health System is experiencing multiple transitions and changes, performance under the existing contracts must not deteriorate.

### ***Claims Processing***

Health Net processed more than 27 million TRICARE claims in FY 2003. Claims volume rose dramatically by 19% in FY 2003 compared with FY 2002, recognizing a full year of TRICARE for Life (TFL) claims. Remarkably, 99.98% of these claims were processed within 30 days of receipt and 99.99% were completed within 60 days of receipt. The table below evidences a 250% increase in claims volume between FY 2001 and FY 2003, influenced significantly by TFL, while the high percentage of claims processed within 30 days remained consistent. Provider utilization of internet-based claims processing capabilities available through Health Net, greater electronic claims receipts and process and productivity improvements resulted in expedient payment to TRICARE providers in spite of the substantial increase in claims volume.



<b>CLAIMS PROCESSING</b>			
	<b><u>FY2001</u></b>	<b><u>FY2002</u></b>	<b><u>FY2003</u></b>
<b>Total Claims</b>	10,843,020	23,029,123*	27,392,129
<b>% Processed w/in 30 days</b>	98.89%	98.13%	99.98%
*TRICARE for Life (TFL) program began 10/1/2002			

The timely and accurate adjudication of claims, regardless of the volume received, is the single most important factor in retaining network providers, and ensuring that standard providers are amenable, to deliver health care services to TRICARE beneficiaries.

### ***Call Center***

Over 17,000 telephone calls from beneficiaries, providers and other TRICARE stakeholders were taken by Health Net Call Center each business day in FY 2003. Health Net delivered a first call resolution rate of 97% for the 4.2 million calls received during the year, which is 23% more calls than were received just 2 years earlier. The chart below depicts the call volume received in Health Net Call Center over the past 3 years and the high percentage of calls resolved to the caller's satisfaction during the initial call. All calls were resolved within 10 days of the initial call. Less than one-half of one percent of attempted calls received a busy signal, minimizing frustration experienced by our TRICARE constituents in their quest to obtain information or seek assistance. Callers most frequently sought resolution to benefits, provider, claims or fee inquiries constituting nearly 60% of the call volume.

<b>CALL CENTER</b>			
	<b><u>FY2001</u></b>	<b><u>FY2002</u></b>	<b><u>FY2003</u></b>
<b>Total Calls</b>	3,406,756	4,086,674*	4,190,618
<b>% Resolved During First Call</b>	94.3%	95.1%	97.0%
*TRICARE for Life (TFL) program began 10/1/2002			

Health Net's Call Center goal is to deliver prompt, consistent, and accurate information that results in a high first call resolution rate, which is a key metric in measuring beneficiary and customer satisfaction.

### ***TRICARE Service Centers***

TRICARE Service Centers (TSCs) continue as one of the primary means used by beneficiaries to obtain program information and secure resolution of difficulties being experienced. Health Net had over 737,000 personal visits to its TSCs and responded to

nearly 1.6 million telephone calls placed to TSCs during FY 2003. The table below indicates that while the number of walk-in visits have remained relatively constant over the past 3 years, telephone call volume has increased by more than 23%. Based on voluntary completion of performance assessment forms by visitors to Health Net's TSCs, services provided were fulfilling beneficiaries' expectations. Principle reasons for either visiting or calling a TSC include, in descending volume order, enrollment information and assistance, general program information, authorization or referral for services, effecting changes and claims.

<b>TRICARE SERVICE CENTERS</b>			
	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
<b>Total Walk-In Customer Visits</b>	745,378	775,653*	737,062
<b>Total Telephone Calls</b>	1,280,185	1,463,336*	1,584,000
<b>Total Service Center Contacts</b>	2,025,563	2,238,989*	2,321,062
*TRICARE for Life (TFL) program began 10/1/2002			

The TSCs are Health Net's principle face-to-face touch point with beneficiaries and contribute significantly to the level of overall satisfaction with the TRICARE Program.

### ***Provider Network***

Health Net remains committed to complementing the Military Health System (MHS) with purchased care network providers, producing a complete health care delivery system for beneficiaries in its contract regions. At the conclusion of FY 2003, and to fulfill its mission to make available a complete health care delivery system, Health Net's provider network consisted of more than 78,000 providers, including 586 acute care hospitals and over 12,000 PCMs. Reimbursement rates remain relatively level contributing to providers' general disaffection with CHAMPUS Maximum Allowable Charge (CMAC) pricing. In spite of this concern, Health Net continues to experience low attrition rates within its provider network averaging between 2-3% per year. While network attrition does occur, Health Net has been able to immediately secure additional providers to ensure that access to medical care is uninterrupted. Health Net continues to deliver a provider network that complements the MHS, in spite of capacity and capability fluctuations influenced by deployments of direct care clinical staff to war theaters, and ensures beneficiaries have access to quality medical care when it is needed.

### ***Authorizations and Referrals***

During FY 2003 Health Net reviewed more than 687,000 authorizations and referrals to ensure beneficiaries received quality medical care rendered by qualified physicians or providers in an appropriate setting. Health Net provides high quality

services through its provider network, consisting of both direct care and purchased care providers, as an integral part of delivering best value healthcare. The chart below reveals that the number of authorizations and referrals requested has remained constant from FY 2002 to FY 2003.

<b>AUTHORIZATIONS and REFERRALS</b>		
	<b><u>FY2002</u></b>	<b><u>FY2003</u></b>
<b>Total Authorizations</b>	33,618	34,954
<b>Total Referrals</b>	660,886	652,526
<b>Grand Totals</b>	694,504	687,480

Managing the medical care of beneficiaries ensures that the best possible outcome is achieved for each beneficiary requiring either an authorization or referral.

### ***Enrollment***

Enrollment of Active Duty Dependents (ADD), Non-Active Duty Dependents (NADD), TRICARE Prime Remote (TPR), and TRICARE Prime Remote Active Duty Service Members (TRPADSM) beneficiaries in Prime in all regions serviced by Health Net totaled nearly 1 million at the conclusion of FY 2003. Additionally, another 353,000 active duty personnel were also enrolled in prime bringing Health Net's total enrolled beneficiary population to 1,350,000. For FY 2003, Prime enrollment, excluding active duty service members, increased by 4.7% over FY 2002 totals. The detailed information furnished below chronicles the enrollment growth during the past 3 years within the regions Health Net serves.

<b>ENROLLMENT</b>			
<b><u>Prime Enrollment by Contract<sup>1</sup></u></b>	<b><u>FY2001</u></b>	<b><u>FY2002</u></b>	<b><u>FY2003</u></b>
<b>Region 11</b>	136,649	146,947	153,721
<b>Region 6</b>	363,937	388,237	404,524
<b>Region 9/10/Hawaii</b>	348,322	367,186	384,476
<b>Alaska</b>	33,911	35,721	39,333
<b>Total Prime Enrollment</b>	882,819	938,091	982,054

<sup>1</sup> Includes ADD, NADD, TPR, and TPRADFM ; excludes ADSM

These enrollment statistics confirm that as TRICARE meets and exceeds the access, choice and quality expectations of the beneficiary population in the delivery of healthcare and the complete array of customer services, more individuals will elect to avail themselves of the Prime Program benefits.

### ***Military Treatment Facility Optimization and Resource Sharing***

Health Net has benefited from the exceptionally strong leadership at the Lead Agent offices responsible for the care delivered in their regions. Equally strong is the partnership we have forged with our Lead Agents, working towards the common goal of providing quality, cost-effective health care to the military health services population.

In support of the Government's goal to optimize services provided within the Military Treatment Facility (MTF), Health Net has established, and continues to improve, its capabilities in support of resource sharing.

During the past 3 years, we were able to recapture over 3.5 million outpatient visits and slightly over 65,000 inpatient admissions. This achievement has enabled military medicine to maintain the proficiency levels necessary for its readiness mission while assuring beneficiary access to quality care.

We continue to believe that the Resource Sharing Program is a vital strategic tool in the optimization of the MHS and supports their readiness mission. We also believe that the Resource Sharing Program enhances the quality and continuity of care delivered to TRICARE beneficiaries.

### ***Reserve Component Activities***

Members of Reserve/Guard Units called up have found themselves suddenly removed from their otherwise calm civilian lives and, in many cases, placed in harm's way. Many have been called away from their families to serve on foreign soil, while still more provide support services here at home – all the while concerned about sustaining a delicate balance between civilian and military life. One of the most important things that we can impart both to the service member being activated and to the family members staying behind is the peace of mind that should their family members need medical attention, the health care needs of their family members will be taken care of.

In 2003, as activation of reservists escalated, Health Net shared TRICARE Program information with more than 82,000 reserve component personnel and their families through more than 850 briefings. Already in 2004, Health Net has shared TRICARE Program information with more than 10,000 reserve component personnel and their families in over 100 briefings. Briefings have been held in cities and rural areas all across our regions, sometimes on a schedule covering 7 days a week.

Health Net is dedicated to continuing its support of the MTF Commanders and Guard and Reserve senior leadership who depend on our assistance.



### ***Congressional Inquiries***

Congressional inquiries receive priority attention at Health Net. We have a dedicated staff with a collective 45 years of TRICARE experience. Our staff works closely with TMA, local military facilities and other government agencies to resolve issues that arise. It is due to this focus and dedication that the number of congressional inquiries has steadily decreased an average of 18.5% annually.

<b>CONGRESSIONAL INQUIRIES</b>			
<b><u>By Contract</u></b>	<b><u>FY2001</u></b>	<b><u>FY2003</u></b>	<b><u>Decrease Since 2001</u></b>
<b>Region 11</b>	99	80	20%
<b>Region 6</b>	349	299	13%
<b>Region 9/10/12</b>	150	108	28%
<b>Total of Inquires</b>	<b>598</b>	<b>487</b>	<b>18.5%</b>
Note: the managed care support contractor does not handle Alaska Inquiries.			

Health Net will continue to search out new avenues to lesson the number of inquiries received. We actively participate on a TMA work group recently convened to address this specific issue. We are also redesigning our dedicated, secure Government Relations page on our web site, [www.healthnetfederalservices.com](http://www.healthnetfederalservices.com), to address the most frequently raised issues and offer solutions that will support local district offices in resolving problems. Our staff is also available via a toll-free telephone number, to personally assist congressional staff should immediate assistance be required.

### ***Historical Perspective on Current Health Care Cost Trends***

Throughout 2001, annual health care cost trends in our three TRICARE contracts average about 8%. Through the first half of the 2002 calendar year, the average held at about 9% annually. However, since that time there has been a sharp increase. Annual health care trends jumped to 18% in the second half of 2002, climbing to more than 20% through calendar year 2003.

The substantial jump in trends corresponds closely with the mobilizations and deployments of Operation Iraqi Freedom. The accelerated trends are not completely explained by the recently activated Reservists, although total health care costs for that group have increased over 50% annually in 2002 and 2003.

Deployments have also affected the workload capabilities of Military Treatment Facilities (MTF's), causing a shift from MTF's to the civilian sector. Our access to detailed MTF workload data is limited, but government-supplied data indicates that

outpatient visits in MTF's in our three contract areas in 2003 are about 15% below the 2001 visit level.

### **Current Contract Phase-Out Status**

#### ***Commitment***

Health Net has three overarching goals as we phase-out the contracts we have held for the past 9 years. First, to achieve the appearance of a seamless transition for beneficiaries. Second, to do everything possible to assure success for the incoming contractor. Third, to maintain excellent service levels on our current contracts through the end of their performance period. Our two claims processing subcontractors, Wisconsin Physicians Service (WPS) and Palmetto Government Benefits Administrators (PGBA) have assured me of their commitment to continued excellent performance.

#### ***Timing***

The services currently performed in each of our three MCS contracts is being succeeded by three separate contracts, resulting in a total of 9 different transitions for Health Net. Although we have been working with the TMA and incoming contractors since September 2003, these transitions will actually occur over the next 8 months. Key dates on our calendar are as follows:

On June 1, 2004, retail pharmacy will transition to Express Scripts Inc., from all three of our contracts.

On April 1, 2004, the TFL services will transfer from our Region 11 contract to WPS. The TFL service on our other two MCS contracts will transfer to WPS concurrent with the phase-out of those contracts.

On June 1, 2004, our Region 11 MCS contract will transition to TriWest as part of the new West Region. On July 1, 2004, our Regions 9,10,12 and Alaska MCS contracts will transition to TriWest as part of the new West Region.

On November 1, 2004, our Region 6 MCS contract will transition to Humana Military Healthcare Services (HMHS) as part of the new South Region.

#### ***Collaboration with TriWest and Humana Military Healthcare Services***

The transition to the next generation of TRICARE contracts is characterized by unprecedented collaboration among the outgoing and incoming contractors. Biweekly scheduled meetings occur between incoming and outgoing contractors; functional points of contact interface regularly as needed, transition plans and schedules have been integrated. Every facet has been addressed to optimize the ability of the incoming contractor to hire experienced staff from the outgoing contractor. Facilities in place at TRICARE Service Centers (TSCs) are being transferred from the outgoing to the incoming contractor to the greatest extent possible, avoiding the disruption of de-installing and installing furniture, equipment and supplies. Data and information

previously considered sensitive is being readily exchanged among contractors in the best interest of the TRICARE program.

It is impossible to address the thousands of tasks involved in phase-out of these contracts, but I will share with you some of the significant activities that illustrate the level of collaboration between contractors.

### ***Transitional Care***

Those patients with the most complex medical conditions are identified and placed in our Case Management program under the administration of a nurse case manager. These patients require special attention during transition. To make sure no patient is left behind, our transition plan with TriWest calls for a conference between the outgoing and incoming case managers to review the case history and management plan. This meeting will occur about 30-40 days prior to the end of our contract. The outgoing case manager will call the patient informing them of the transition and change in case manager. A letter will be sent to the patient confirming the information given in the telephone call, providing the name and contact number for the new case manager, and notifying them that they will be contacted by the new case manager within one week. Beneficiaries in special programs such as Program for Persons with Disabilities (PPWFD) will be handled in a like manner. Health Net expects to create a similar transition arrangement with Humana for the South contract.

Procedures have been coordinated between Health Net and both TriWest and Humana to provide continuity for referral and authorization. Protocols have been created that establish responsibility for taking the action depending on either date of referral or date of service, with appropriate linkage to our respective the claims payment systems assured.

### ***Provider Communication***

In our outgoing regions, we have joined with both TriWest and Humana to send co-signed letters to all of our network providers expressing our appreciation for their support to the TRICARE program and introducing the incoming contractor, welcoming network inquiries and furnishing a new point of contact. Additionally, we have furnished a detailed database of our provider directory so the incoming contractor would be able to evaluate the size and composition of our network and to initiate contact with any of our providers. When requested, we are working with the incoming contractor in locations where network development is difficult.

### ***Beneficiary Communication***

The outgoing contractors' Beneficiary Newsletters have been used to announce the award of the next generation of TRICARE contracts and to alert beneficiaries to future announcements as to how this may affect them. Health Net has made claims Explanation of Benefits messages and stuffers available to the incoming contractors. The incoming contractors will send a direct mailing to each beneficiary approximately 60 days prior to the start of health care delivery providing information about the contract transition and a TRICARE Handbook.

### ***Staffing, Severance and Retention***

For the benefit of the TRICARE program and our associates we would like to optimize the number of our experienced staff hired by the incoming contractor, especially in the TSC. This is a major element of a seamless transition as it presents a knowledgeable, familiar face to the beneficiary from the outset of the new contract. Extraordinary cooperation between the contractors has allowed for the mapping of existing staff to the incoming contractors business model, facilitation of the recruiting and hiring process, bridging gaps in benefits and coordination of hiring and training dates. Cooperation between contractors on staffing is critical to assuring resources remain in place to perform the current contracts. To date TriWest has hired 55 of our associates in Region 11. Interviews and hiring is in process for our other regions. For associates who are not hired by the incoming contractor nor have other opportunities within Health Net, we have crafted a severance plan that offers a realistic incentive to remain through the duration of the current contract. Recognizing the need to stabilize the workforce, Health Net announced its severance and retention plan in October 2003; prior to confirmation from the Government that retention costs would be allowed. Although we hate to say goodbye to hundreds of our associates in the West and South, we are pleased that many good people will remain in service to the TRICARE beneficiaries in their region.

### **Transition to TRICARE North Contract**

#### ***Commitment***

Health Net is honored to have been chosen to build a premier model in health care management that will serve 2.7 million beneficiaries in this vital TRICARE geography. We are committed to delivering "day-one readiness" at the start of health care delivery. We have created a new organization structure to better respond to the five objectives of the new model: Optimization, Beneficiary Satisfaction, Best Value in Health Care, Transition, and Access to Data. We have been executing a very detailed plan and management process to ensure on-time delivery of services and systems with minimal disruption to TRICARE beneficiaries. We have been working collaboratively with all stakeholders - including the Government's Transition Team, outgoing contractors in the North Region, as well as, the incoming contractors in the South and West.

Health Net has a unique role in this large-scale transition by virtue of its involvement in all three regions. We recognize our role as the common denominator across all new regions and take the challenge for executing successful transitions seriously. We must close down all of our existing contracts and geographic locations in the field, as well as, simultaneously bring up the new North Contract. We have prepared for this challenge with a three-prong strategy. First, we have an unprecedented commitment to collaboration, sharing and supporting the incoming and outgoing contractors, our MTF customers and the Government's North Transition Team. Secondly, we have deployed dedicated Transition In and Transition Out Teams. Thirdly, our operational transition plan provides a detailed roadmap for successful transition.

#### ***Timing***



The Government's timeline for the North transition is complex. It calls for two start-ups of health care in 2004. Regions 2 and 5 will start up on July 1 and Region 1 on September 1. At the same time Health Net is standing up the North, we will be phasing out of our existing contracts -- Region 11 on June 1, Regions 9,10,12 and Alaska on July 1 and Region 6 on November 1. While all of this is going on, all Managed Care Support Contractors will be phasing out of pharmacy, TFL, and appointing beginning in April.

### ***Health Phase-In Net Transition Plan***

Health Net's transition plan calls for an orderly start-up with tasks spread across 10 months for each transition. To meet this incredibly demanding timeline, we have developed detailed functional schedules that take into account the staffing, hiring, training, technology, and quality work that needs to occur. Currently, we have a task plan that includes almost 30,000 tasks. We have over 60 schedules we are maintaining including our work with PGBA, which is an integral part of our North solution.

Our plan draws on our deep experience in transitions. We know from our experience that building trust through collaborative relationships is critical to a successful transition and ongoing operations. Health Net's core competency is in building relationships that work -- that work for the beneficiary, for the MTF Commander, and for DoD.

Health Net has developed multiple communication forums to ensure that the MTFs and the Government's Transition Team is not surprised by anything and that they always know who to call or how to get a question answered.

Health Net has taken advantage of every communication channel, including face-to-face meetings, telephonic and electronic media. In addition to our weekly electronic status report, we conduct weekly status meetings between Health Net and Government Transition Teams to facilitate rapid problem resolution.

A large component of our success in this transition is the knowledgeable, dedicated team of professionals working on this project. We created a transition management structure that allows for rapid decision-making and skilled execution of our plan. We have teams dedicated to Field Operations, Claims and Customer Service, Enrollment, Provider Network Management, Medical Management and Access to Data. We also have several teams that are ensuring staffing, training, facilities, and quality tasks are planned for and completed on time. Our solution for the North incorporates several new technologies. So, we also have a large technology team that is working with the core teams. In addition, we have contracted with both PricewaterhouseCoopers (PwC) and EDS to provide professional project management and functional expertise. As of the beginning of March 2004, we have a team of almost 400 people working on this transition, including our claims partner, PGBA.

There is an old project management question -- "How does a project get delayed and off track? The answer is -- one day at a time." At Health Net, we are focused on doing today's work today. Our schedules are designed to logically spread the work across the time we are given to do it. There are so many tasks, if we get off course, we

will never catch up. We have built a tracking program that allows us to manage all the action items that require attention. We identify items that could jeopardize our on time delivery, and we work quickly to resolve these issues.

The Access to Data Team promised a web-based solution for the North Contract including an enhanced Data Warehouse, new DataMarts, and a new Performance Management Dashboard. The Access to Data Team has gathered data specifications and reporting requirements. We have carefully defined and mapped each field in the information warehouse and DataMarts to ensure a robust set of data is available at health care delivery, ready to generate operational and government reports required to make informed business decisions. The report design period is completed and we are deep into the development process for these reports. Building off of the data contained within the information warehouse will be a web-based Performance Management Dashboard with over 90 standards and indexes we will monitor and be held accountable for on a daily basis. Dashboard data will be refreshed on a frequent basis and will be available to the MTFs, TMA, and other important stakeholders. Our technology partner, EDS, has made tremendous strides in designing the dashboard look and feel, using collaborative design sessions with end-users to gain knowledge about how information will be used and then crafting the tool to best meet the needs.

Health Net has a Quality Department that is charged with documenting our processes for continuous improvement, as well as, maintaining consistency and quality throughout our company. We are on target for our ISO 9001:2000 registration; which means that by the end of 2004 Health Net will be ISO Certified demonstrating our commitment to quality. As part of our quality offering, Health Net has developed a process to determine our constituencies' satisfaction. We will be gathering information based on interactions or touch-points in order to compile an index that will show overall satisfaction for each of our five constituencies.

Health Net has a comprehensive training program which is part of our Health Net University Program. A curriculum has been developed for each service and new system area to ensure we have a highly trained workforce at the start of health care delivery. All of the training staff are on board and trained, and are actively involved with their respective functional areas to customize the training sessions. Early training classes for our field operations staff have already commenced. By the time we bring up Regions 2 and 5, we will have trained over 700 associates. At the start of health care delivery for Region 1, we will have successfully trained over 1100 Health Net and over 500 PGBA associates.

Health Net will operate out of the Rancho Cordova, San Diego, and the National Capitol and Northeast sub-regions. Our headquarters will remain in Rancho Cordova with some of our centralized services. Nevertheless, we are bringing on line a large contingency of field operations, medical management, enrollment, providers services, claims and customer services in the North geography with almost 1000 staff (including PGBA).

## ***Collaboration Efforts with Outgoing Contractors***

### **Region 2 and 5 Contractor Collaboration - Humana**

Health Net and Humana, the incumbent contractor for Regions 2 and 5, recognized early in transition planning that a much more effective and successful transition was possible if we worked closely together, seeking opportunities for eliminating transition risk and ensuring a smooth transition for our customers. To go one step further, by establishing a reciprocal relationship, Health Net and Humana are able to materially enhance the effectiveness of transition in and out activities between the two companies for Regions 2 and 5 and 6.

To accomplish these goals, Health Net and Humana met and agreed on forming transition teams that would be closely linked throughout the transition periods of Regions 2 and 5 and Region 6, which occurs 2 months later. Furthermore, Health Net agreed to purchase Humana's network contracts, credentials files and selected TSC assets. Under these arrangements, we also established preferred hiring processes and opportunities for Humana's employees at Health Net, and for Health Net employees at Humana.

The terms of the purchase agreement will allow us to conduct an orderly transfer of all current TRICARE network participating providers, approximately 28,000, and associated credentials files, from the current TRICARE program managed by Humana into the new TRICARE North region to be managed by Health Net. This eliminates most risks associated with provider turnover and related loss of primary care or specialty care services for the beneficiary. Network providers do not have to re-contract to continue in the program and may retain their beneficiary linkages. While there will be some additional contracting activity necessary to cover newly expanded PRIME service areas under Health Net's new solution, the systematic transfer of current provider files ensures that the new program will be fully accessible and ready in time for the July 1 start of health care delivery.

The acquisition of TSC furnishings and other assets, along with the focused recruitment and hiring of current Humana employees also means that there will be continuity of service, due to retaining local knowledge from those employees who join Health Net from Humana. This greatly enhances our ability to conduct a transparent and non-disruptive transition for beneficiaries. While it is too early to tell, some estimates would indicate we could have as much as 80% of our field positions filled by current program service staff and local level management. The Humana organization has worked very well with Health Net staff and we are encouraged that all of the objectives and benefits of our transition partnership will be met, resulting in an unprecedented, successful transition for TRICARE.

### **Region 1 Contractor Collaboration – Sierra**

While we have reciprocal arrangements with the Humana organization for the transfer of services between us in Regions 2 and 5 and 6, the scenario with Sierra is focused only on transitioning out from Sierra to Health Net for Region 1. However, we took the same approach to forming a highly collaborative working relationship with



Sierra as the outgoing contractor in order to achieve a smooth and non-disruptive transition for beneficiaries and for the government.

We reached agreement early this month with Sierra to purchase their current 28,000 civilian network provider contracts throughout the National Capitol Area and the Northeast, along with associated credentials files. We will also purchase most of the existing TSC assets and have agreed on a preferred consideration of the Sierra employees for hiring into Health Net positions in the new North Region. Sierra is committing to sustaining all of its current contractual performance standards for Region 1 while working with us to conduct a smooth contract transition. Sierra will deliver key transition related data and conduct certain activities in coordination with Health Net to ensure the program sustains a high level of service for beneficiaries during the transition period, and to help provide for a successful start of health care delivery on September 1, 2004.

Just as we will do with Humana, we will not have to re-contract with current physicians and hospitals, thereby ensuring that the transition of health care and linkages with patients will continue into the new program. Finally, in regard to current TSC field staff, we have already begun to interview and go through the selection process with Sierra employees. We expect there to be a high rate of transfer for the high performing Sierra employees to Health Net's TSC operations.

Achieving an orderly transition of key assets and effecting the smooth transfer of program services in coordination with Sierra greatly reduces the risks of transition. This will occur in terms of timeliness for the start of health care delivery, and in terms of retaining network providers and Sierra field service personnel for the continuity of service to beneficiaries. Sierra has demonstrated early in our agreement that they are intent on making this transition successful for beneficiaries, and that they will be working cooperatively with Health Net. We are optimistic that our mutual working relationship will be fruitful for the program, and will accomplish a smooth transition that does not result in service disruption for beneficiaries.

### ***Customer Relationship Management Solution***

Our Customer Relationship Management solution, which we have named the Customer Contact Manager (CCM) supports our goal of first call resolution by giving them the beneficiary and providers access to the experts they need. Health Net has an Interactive Voice Response (IVR) Unit, which also has voice recognition capabilities, has been designed and programmed to be very user friendly in nature. Customers are offered an immediate choice to speak with a customer service associate or use the intuitive self-service options. A new way of providing customers with a method to electronically communicate with us via myTRICARE.com will be implemented for health care delivery. We have implemented a sophisticated tool and methodology for evaluating and improving associate interactions with our customers. This solution will be up and available for calls on May 3, well in advance of health care delivery to begin servicing beneficiaries and providers.

### ***Claims Operations***



Claims Operations encompasses all areas related to claims processing and administration. Health Net partnered with PGBA for its claims adjudication function. The Claims Team's goal is to deliver an on-line real-time claims system that will provide prompt and accurate claims processing, ensure full capability to adjudicate claims and process appeals within specified performance standards, deliver a Fraud, Waste and Abuse System and Retrospective Review System and provide multiple means for providers to submit claims electronically (i.e., XPressClaim, direct submission from providers, and claims clearinghouses).

A cross-functional team from PGBA, Health Net IT, and Operations were formed to prepare for the Health Net Systems Readiness Test, Integration Test, and Benchmark. Health Net has worked closely with TMA and DMDC to prepare integration test plans, discuss potential risks with testing, communicate daily regarding DEERS connectivity, and prepare for benchmark.

### ***Best Value in Health Care***

The Best Value Healthcare objective area, encompasses the medical management functions: referral management, case management, transitional care, clinical quality management, demand management, and our medical director function--with appropriate associates, key decision-makers and leaders with knowledge of a broad spectrum of Health Net operations. Health Net's Best Value Teams have developed new referral and authorization requirements; partnered in the area of interface with the government in routine referral and authorization operations, collaborated with Humana and Sierra to design a plan for transitioning open referrals, authorizations and beneficiary cases to Health Net closer to the start of health care delivery, formed a work plan for achieving URAC accreditation within 18 months of health care delivery and designed the Health Net website to provide meaningful medical management and preventive health content and functionality for beneficiaries and providers for use in the new TRICARE Contract.

### **Transition of Beneficiaries Currently Involved in an Episode of Care**

Health Net is aware of the health risks and potential problems with satisfaction and patient anxiety by DoD beneficiaries during the period of transition. We are working with each of the outgoing contractors to identify beneficiaries who are in an episode of care. The purchase of the outgoing contractor's networks should reduce risk to patients by ensuring continuity and decreasing the risk created by interruptions in care with their providers. We anticipate increased satisfaction and decreased anxiety about the transition into the new contract.

We have developed a mechanism for managing the current Program for Persons with Disabilities (PFPWD) benefit. We have assigned knowledgeable dedicated staff to the program who will support the transition as the program shifts to the Extended Care Health Option (ECHO). Health Net has collaborated with Humana and Sierra to identify beneficiaries currently managed under PFPWD. Case conferences will be conducted with the outgoing contractors to ensure transfer of all appropriate information and a smooth transition for the beneficiaries.

### Case Management

Health Net has developed a case management module that is integrated in our medical management system. The case management module includes the case referral, evaluation, assessment, and care plan. The assessment and care plan development utilize best practices from the Case Management Society of America and Mosby practice guidelines. There has been interest expressed by several MTFs to use the medical management system module as a common platform for managing the case management patients. A common platform would be beneficial for beneficiaries who receive a portion of their care in the direct care system and a portion of their care in the purchased care system allowing the case managers to have a "total view" of the patient care.

### Quality of Care

The Clinical Quality Management Program monitors the quality of care and service rendered to TRICARE beneficiaries in the North Region, identifies opportunities for improvement, and ensures that interventions addressing those opportunities are implemented and are effective.

We are incorporating state-of-the-art ways to ensure patient safety, and to monitor clinical outcomes. We are also developing special programs for disease management, including those that integrate physical and behavioral health. As we enter this new region, Health Net will establish North Region baseline data regarding provider practices and once the data collection is complete, we will establish a program to bring our network providers in alignment with best practices.

As we move to the new contract, our medical management system will incorporate triggers for automated identification of potential quality issues associated with inpatient or outpatient services. Health Net's Transitional Care Program includes pre-admission counseling to prepare beneficiaries for hospitalization. The same nurse follows the beneficiary through the hospitalization, including arranging discharge services. When a beneficiary is discharged the nurse conducts a follow-up call to ensure discharge services were received in a timely manner and that the beneficiary understands discharge instructions and use of medications. The nurse also verifies that there are no barriers to the patient keeping follow-up visits with their physician (for example transportation issues).

### Provider Profiling and Credentialing Issues during Transition

Provider profiling allows for the retrospective evaluation of care provided by our network providers. Health Net actively accumulates and integrates various outcome measures to assess the appropriateness of continued provider network affiliation and uses this information for review during our biannual review of network providers. Provider profiling activities include drug utilization, service utilization, historical record (of potential quality issues, quality issues, and other quality improvements findings), medical record audit findings, and aggregate data of selected key performance indicators. This data will be utilized under our new contract to evaluate past performance and to identify indicators and potential problems and trends that could potentially result in adverse outcomes of care. It is our intention to direct or to educate

beneficiaries so that they utilize the services of providers and facilities with the best outcomes of care for specific medical conditions.

We will continue to check for sanctions on our network providers and to query state board medical reports to look for adverse or disciplinary actions on network providers.

Health Net will continue to comply with credentials requirements to ensure that the providers are fully qualified and to protect our beneficiaries, to the degree possible, through the maintenance of credentialing standards.

Although Health Net feels that the files from the acquired networks will meet the minimum requirements set under TRICARE and URAC policies, Health Net will immediately set up a review process for any potential open adverse or disciplinary actions. We want to ensure that the qualifications of our network providers are the best and that the potential for adverse consequences in medical practice is minimized.

### **Transition and Program Challenges**

#### ***Resource Sharing Conversions***

Bidders for the next generation of TRICARE Contracts were told that all existing Resource Sharing Agreements would terminate at the beginning of health care delivery of the new contracts and that an amount equivalent to the current resource sharing expenditure would be transferred by the DoD to the Direct Care System. The MTFs would then use the transferred dollars to obtain the needed resources through either hiring staff or direct contracting. The health care cost we bid for Option Period 1 was based on this information, as were the administrative costs we bid for the transition and Option Periods 1 through 5.

It is imperative that all existing Resource Sharing projects that are shown to be cost-effective are fully funded going forward. It is equally as important that the MTFs have access to this funding in a timely manner so projects can be put in place at the start of health care delivery for the new contracts. If this is not done, we are concerned that the availability of health care resources in the MTF setting could be in jeopardy.

#### ***Provider Reimbursement***

Reimbursement continues to be a concern. We are encouraged by rate increases of 1.6% in April 2003 and 1.5% in March 2004. However, we do not expect this increase to have a material impact on reimbursement concerns raised by providers; the perception is that these increases is relatively insignificant in relation to the rising costs of providing health care.

#### ***Carve-Out Contracts***

Over the course of the following 10 months, three MCS contracts, retail pharmacy, TFL, and Appointing will be phase-in. It is critical to the success of this Program that parties involved, DoD and the individual contractors and fully on board

and sync with each other throughout this period and continuing on in health care delivery. We are most appreciative of the Department for establishing a summit meeting the week of March 22, 2004. The purpose of the meeting is to gather contractors and the government to review and coordinate plans and processes for supporting TRICARE beneficiaries and providers during contract transitions. This is a great step in the right direction.

### Other Items

#### ***Veteran's Affairs/DoD Sharing and Health Net***

Health Net recognized a substantial opportunity for the Government to optimize health care delivery for veterans and for the military dependent population several years ago. Health Net has 15 years of experience in assisting DoD/TRICARE in achieving their program objectives. Health Net also has 7 years of experience with VA health programs and currently holds 145 VA contracts across the nation.

We have implemented several best practices from our DoD/TRICARE experience across VA Integrated Service Networks (VISN) and medical centers. As a direct result of applying these best practices in the VA, we have saved or recovered over \$60 million dollars since 1999 that would have otherwise been expended out of VA health care operating budgets.

Specifically, Health Net has leveraged its managed care program expertise to support VA services in the following areas:

- We established a national civilian provider network for preferred pricing that obtains discounts for non-VA claims in VA's Fee Basis Program;
- We have audited and recovered DRG based claim dollars paid to civilian institutions inappropriately due to improper coding;
- We have successfully contracted with VA Medical Centers as network providers for the delivery of health care services to TRICARE beneficiaries on a space-available basis, and;
- We have worked closely with VISNs and VA Medical Centers in our TRICARE service regions to educate them about TRICARE Program elements and how to efficiently submit claims under the TRICARE Program. This has eased the administrative issues and encouraged the VA's participation in TRICARE.

Health Net works collaboratively with each VA Medical Center in the TRICARE Regions we serve to ensure the TRICARE Program participation runs smoothly, responds to service issues and encourages the VA providers to see TRICARE Program beneficiaries wherever space is available. We will continue this collaboration effort as we move to the North.

In the last year, over \$5 million in health care services have been provided to TRICARE beneficiaries in the three MCS Contracts we administer. This provides the next most efficient use of government medical resources when DoD military treatment facilities cannot accommodate the beneficiaries' service needs.



In summary, Health Net has taken the position that these two vital government health care systems can benefit from one another. There are challenges in funding mechanisms and in differing missions between the two systems but Health Net, as a principle contractor for both systems, serves an important role to encourage and advance the mission of each system. We continue to look for ways to build on our current support of VA and DoD, and to realize the many benefits of sharing medical assets across the two systems.

## ***Security of TRICARE Beneficiary Information***

### **Introduction**

Health Net clearly understands the vital nature of keeping sensitive information secure. Over the past 15 years of conducting TRICARE business Health Net has worked in conjunction with the DoD and the TRICARE Management Activity (TMA) to implement physical and security controls to protect systems and sensitive information.

Health Net has designed its organization, culture, and policies and procedures around corporate accountability, integrity, and safeguarding sensitive information that has been entrusted to us. We protect information confidentiality, integrity and availability regardless of media -- electronic or paper.

All of Health Net's sites are safe from physical attacks and unauthorized intrusion through the use of closed circuit TV, roving on-site security personnel, and card-key systems.

Health Net is fully compliant with DoD's Personal Security Program, requiring all associates to undergo a government conducted background investigation. We regularly perform vulnerability assessments and system scans to determine actual weaknesses of physical and information systems controls.

Our data center employs safeguards to ensure the complete protection of our electronic data assets including:

- closed circuit TV cameras;
- card key system;
- two-factor authentication to access secured areas;
- alarmed exit doors;
- locked gate to campus during non-business hours;
- roving security personnel on site 24 hours a day, 7 days a week;
- Disaster Recovery Plan and a full, hot site back up site of our data center;
- fully encrypted wide area network protecting data over transmission lines; and,
- firewalls and Intrusion Detection System Probes preventing unauthorized electronic access to our network, servers, and data.

Health Net is moving rapidly toward full compliance with two significant security landmarks: DoD Information Technology Security Certification and Accreditation

Process (DITSCAP), and the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

#### DITSCAP Process

As part of our TRICARE contractual requirements, we are working in collaboration with TMA to implement DITSCAP. The purpose of DITSCAP is to demonstrate the trust level of systems and processes that manipulate or store sensitive DoD information. The outcome of DITSCAP is a certification issued to Health Net by DoD attesting that all systems and processes operate at a Mission Assurance Category III (MAC III) level of trust. Health Net received an Interim Approval to Operate (IATO) at a MAC III level of trust in September 2003 under its existing contracts. We are currently working with TMA to receive a Mission Assurance Category III (MAC III) level of trust on a full up Approval To Operate (ATO) certification under the North Contract.

#### HIPAA

To ensure full and timely compliance with all aspects of HIPAA, Health Net has completed developing and placing automated systems that will enable the transmission of information in the manner prescribed by the Transactions and Code Sets Final Rule. Fulfillment of the Privacy Final Rule was accomplished in 2003 and is on going, to ensure that all necessary agreements are in place, protected health information is identified and processed appropriately, and that individually identifiable health information is stored and accessed in a manner consistent with law. Health Net is currently pursuing implementation and completion of the Security Final Rule and will be complete with security processes and safeguards by start of health care delivery in the North.

#### Closing Comments

Through the years, our TRICARE efforts have been made easier by the collaborative efforts of our partners in the military and the government. We have been fortunate to forge relationships that we hope will continue for years to come.

Our job has not been just a job – it has been a source of pride for all of us at Health Net. In times of peace or conflict, from Desert Storm through 9/11 to Operation Iraqi Freedom – we are honored to play a role in supporting our country's efforts.

We look at our TRICARE programs in Regions 6, 9, 10, 11, 12 and Alaska today and voice a strong "mission accomplished." We leave these regions where we have worked diligently to support the program, buoyed by the knowledge that TriWest and Humana will continue to service and build upon the good things we have developed.

We move forward knowing that, just as the success of today's military is built upon the rich heritage found in the North Region, so too will we build upon our rich heritage of service to TRICARE in this region.

Thank you again Mr. Chairman for the opportunity to express my views of the TRICARE Program.

**STATEMENT BY****DAVID J. BAKER****PRESIDENT AND CEO****HUMANA MILITARY HEALTHCARE SERVICES****TESTIMONY BEFORE THE TOTAL FORCES SUBCOMMITTEE****HOUSE ARMED SERVICES COMMITTEE****MARCH 18, 2004**

Thank you Chairman McHugh. On behalf of Humana Military Healthcare Services, I am pleased to be here today to update you on our current efforts in providing access to cost effective, high quality health care to the military community. As our Country wages its war on terrorism, our thoughts and prayers are with our troops and their families, and we are extremely grateful for their sacrifices in our behalf.

As President & CEO of Humana Military Healthcare Services, and as a retired military officer, I know that delivering health service to military beneficiaries is a complex undertaking in both the direct care and purchased care settings. Regardless of the environment in which care is rendered, Congressional support is essential. So today, I want to begin my statement by thanking the Committee for its ongoing support of the Defense Health Program. Your actions have created a health care system that is second to none, and they are very much appreciated by the beneficiaries we jointly serve.

Humana Military Healthcare Services (HMHS) is a wholly owned subsidiary of Humana Inc., one of the nation's largest health benefit companies. Our subsidiary was formed in 1993 to focus exclusively on providing integrated health services to military families and retirees through TRICARE. We have delivered services as a TRICARE contractor since 1996.

Today, HMHS is responsible for two Department of Defense (DoD) managed care support contracts. Together with our subcontractor partners, we provide access to TRICARE for

more than 3 million beneficiaries in the 16 states that comprise the Mid-Atlantic, Southeast, Gulf South, and Heartland regions of the country. We also oversee the processing of all foreign claims, and we administer enrollment into the Continued Health Care Benefit Program (CHCBP). With more than 40% of all beneficiaries, we are the largest of the four current TRICARE contractors.

As a life-long beneficiary of the military health system, I can personally attest that today's TRICARE is meeting the medical needs of the military community better than at any time in history. The program provides access to a broad array of benefits, and it delivers exceptional customer service to active duty members, their families, and retirees of all ages. In my view, its success is primarily due to the unprecedented collaboration between the Congress, the Department of Defense, the Uniformed Services, the beneficiary advocacy groups and the managed care support contractors. I am indeed honored to be a contributing partner in making today's TRICARE such a success.

Despite our past achievements, the future will bring great change to TRICARE. Humana Military Healthcare Services, and the other fine companies represented on this panel, will play an important role in the transformation. As the contractor selected to oversee the provision of TRICARE to the new South Region, and as the company recently chosen to administer very limited TRICARE services in Puerto Rico, we look forward to meeting the significant challenges ahead.

The coming year also represents a period of extremely high risk for the program. For example, the shift from twelve regions to three means that beneficiaries residing in nearly two-thirds of the country will change managed care contractors. Simultaneously, several programs, including retail pharmacy, resource sharing, selected military appointment services, and claim processing for TRICARE-for-Life beneficiaries, are being carved out of the basic TRICARE contracts. Further, a host of new or revised DoD systems and programs supporting such basic managed care processes as billing and enrollment, eligibility verification, referral management and encounter validation are all scheduled for implementation or modification this year. And finally, the Department has established standards of performance never before achieved in any known health care system. The interdependencies -- and the risks -- associated with concurrently



implementing all of these changes during 2004 are well known to each of us on the panel. I would like to share my views with you.

The transition from twelve regions to three will require unprecedented levels of cooperation and collaboration among the managed care support contractors and the Department. With oversight by TRICARE officials, I am pleased to report that we have established an excellent working relationship with Health Net Federal Services to ensure a seamless transition in both the North and South Regions. At the same time, Humana's substantial presence in the former Region 6 allows us to enhance the TRICARE provider network in the Southwest, thereby improving access and satisfaction for enrolled and non-enrolled beneficiaries alike. To illustrate, we have established a goal of contracting with 14,475 network providers in the Southwest by the November 1, 2004 start work date in that area; as of today, we have contracted with nearly 9,350 providers in Texas, Oklahoma, Arkansas and western Louisiana. This means that we have achieved nearly 65% of our target with more than seven months to go.

Similarly, we are working with TRICARE Management Activity officials to make certain the hand-offs to the various carve-out contractors go as smoothly as possible. I believe we will achieve positive results, but I am troubled by apparent delays in some of these initiatives, including the retail pharmacy program, resource sharing, and patient appointing. Further postponements could compromise delivery of cost effective services to our military customers.

Implementation of new DoD processes, procedures and systems is largely out of our hands as supporting contractors. Nevertheless, we at Humana Military are working closely with TRICARE officials to monitor progress and to develop contingency plans in case schedules fall behind. A failure to timely implement any of these changes could also have serious cost and beneficiary service consequences.

We applaud the higher standards of contractor performance under the new TRICARE contracts, particularly in areas such as network referrals, consultation reporting, and electronic claims submission. However, we must skillfully approach these unprecedented performance benchmarks very carefully. For example, we must be willing to weigh the requirement for one hundred percent electronic claim submission against the benefits of continued network participation by providers who are unwilling or unable to comply. Based on my contacts with TRICARE officials, I believe we will achieve an appropriate balance.

At the same time, our parent company's large presence and history of operations in the Commonwealth of Puerto Rico will enable Humana Military to offer a robust network of hospitals and providers active duty members and their families at the start of our newest TRICARE contract on May 1, 2004. Despite only 60 days to prepare, we will be ready to implement TRICARE for affected beneficiaries in Puerto Rico. We are also fully prepared to offer full TRICARE benefits to Puerto Rico's military retiree community, should the Department elect to do so.

In sum, I view the transformation of today's TRICARE program with significant concern, but also with a sense of optimism. Working together with the Congress, the Department, the Services, advocacy groups and the other TRICARE contractors, I am hopeful we will achieve a transition that is virtually invisible to our military customers.

While we are pleased to be a part of the new generation of TRICARE, we do have several items we would like the Congress and the Department to consider.

First and foremost, the Congress must continue to fully fund the Defense Health Program (DHP) to meet both readiness and peacetime health care service needs. For many reasons, this will be challenging. For example, as Reserve and National Guard members are called to active duty service for a period of more than 30 days, their family members immediately become eligible for benefits under TRICARE. And, as private sector employers increase their health care premiums, the TRICARE system becomes more attractive for the dually eligible. Together with recent expansions of the TRICARE benefit structure, these changes have driven significant cost increases in both the direct care and purchased care sectors. Over the past several years, the Congress has been extremely diligent in adequately funding the DHP. It is critical that full funding levels be maintained in the future.

Along with fully funding the DHP, I also believe Congress should refrain from further "fencing" of DHP dollars. Given today's high operations tempo, the Department needs maximum financial flexibility in responding to changing medical resource requirements. It is best left to the Department—working with the Services, local military treatment facilities and contractors—to allocate the appropriate resources between the direct and purchased care systems.

Third, I urge full implementation of the expanded program of TRICARE eligibility for Reserve and Guard personnel as authorized by the Congress last year. Given the sacrifices made by these brave citizens, I believe our nation owes them access to the cost effective, high quality health services available under TRICARE.

Finally, we hope to advance new cutting-edge industry concepts to further improve the TRICARE program. At Humana Military, we recently expanded our online capabilities to allow TRICARE beneficiaries to check the status of authorizations and referrals, confirm their eligibility, print Prime enrollment verifications, and monitor the status of claims -- all over a secure Internet connection. In the future, we hope to expand such capabilities in a manner that allows beneficiaries to more actively manage their own health care needs.

In conclusion, Mr. Chairman, let me thank you for the opportunity to be here today. Humana Military Healthcare Services appreciates the opportunity to serve America's military community. Notwithstanding the risks, we are confident in our ability to provide outstanding TRICARE service during this period of profound change, and we look forward to our continued association with the Congress and the Department of Defense.

I will be happy to respond to any questions you or other Committee Members may have.





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**DOCUMENTS SUBMITTED FOR THE RECORD**

MARCH 18, 2004

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## EXECUTIVE SUMMARY

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### The Panel's Charter—Rationale and Tasks

In 1997, the Cox News Service published a series of articles in the *Dayton (Ohio) Daily News* written by Russell Carollo and Jeff Nesmith. These articles described incidences of egregious outcomes—administrative and clinical—that had adverse impact on patients. In addition, the articles implied that there was a “double standard” between the military and civilian healthcare sectors, leaving many readers with the impression that the quality of the military healthcare sector was deficient.

In response, the Acting Assistant Secretary of Defense (Health Affairs) (ASD[HA]) developed and reported to Congress 13 proposed actions addressing issues raised in the Cox News Service articles. Subsequently, Congress consolidated these potential actions into nine initiatives as follows:

- Upgrade professional education and training requirements for military physicians and other healthcare providers.
- Establish Centers of Excellence for complicated surgical procedures.
- Make timely and complete reports to the National Practitioner Data Bank (NPDB) and eliminate associated reporting backlogs.
- Ensure that Military Health System (MHS) providers are properly licensed and have appropriate credentials
- Reestablish the Quality Management Report (QMR) to aid in early identification of compliance problems.
- Improve communication with beneficiaries to provide comprehensive and objective information on the quality of care being provided.
- Strengthen the national quality management program.
- Ensure that all laboratory work meets professional standards.
- Ensure the accuracy of patient data and information.

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In Public Law 105-174, section 5, Congress chartered the DoD Healthcare Quality Initiatives Review Panel as a Federal Advisory Committee "to assess whether all reasonable measures have been taken to ensure that the Military Health Services System delivers healthcare services in accordance with consistently high professional standards. The Panel shall specifically assess actions of the Department (of Defense) to accomplish" the objectives of that initiative listed above "and related management actions...."

The Panel was directed "to submit a report to the Secretary (of Defense) setting forth its findings and conclusions, and the reasons therefore, and such recommendations it deems appropriate. The Secretary shall forward the report of the Panel to Congress not later than 15 days after the date on which the Secretary receives it, together with the Secretary's comments on the report."

In addition, Congress provided \$4,700,000 "to be available through fiscal year 1999, only for the administrative costs of this panel and for the express purpose of initiating or accelerating any activity identified by the Panel that will improve the quality of healthcare provided by the Military Health Services System." Based on recommendations from the TRICARE Management Activity of the ASD(HA), the Panel approved allocations of \$4,350,000 for three specific development or enhancement efforts to be implemented as listed below and described in more detail in the pertinent chapters.

### Approach to Tasks

The Panel was constituted in the summer of 1999 with nine members, two alternate members, and staff support that included personnel assigned from the TRICARE Management Activity of ASD(HA) and personnel provided through a contractor, Standard Technology, Inc.

The Panel began its formal work in September 1999. This work was conducted through a series of open public meetings, announced in advance, during which briefings were held, public comment was invited and received, discussions were conducted, and, as requested by the Panel, further clarification, special reviews, and information from a broad spectrum of experts were received and considered. The Panel attended the Annual TRICARE Conference in 2000 and met individually with the Service Surgeons General.

In addition, the Panel conducted site visits in four TRICARE Regions at representative military treatment facilities, a facility shared with the Department of Veterans' Affairs (DVA), and a Uniformed Services Treatment Facility (USTF). These site visits, also publicized and coordinated in advance, involved discussions with facility beneficiaries, professional staff, and commanders. Communication with beneficiaries, the general public, and other interested parties was enhanced through the Panel's Internet Web site, [www.hqirp.org/](http://www.hqirp.org/), administered by the contractor.

Through this input, and supported by its discussion, analysis, experience, and accumulated reference material, the Panel has produced for this report a series of conclusions and recommendations. Unanticipated at the beginning was the emergence of core issues so significantly related to many of its charter initiatives that the Panel decided to present them in a separate statement with pertinent recommendations. This material is summarized in the next section and is followed by major recommendations that correspond to the chapters in the text.

### Four General Recommendations Related to Core Issues

The Panel wishes to emphasize its finding that most military health professionals of all types are highly dedicated, knowledgeable, productive, and effective—equal to their colleagues in the civilian



sector. Further, based on the Panel's assessment, the regulation, structure, and monitoring of healthcare and its administration within the direct care (military) component of the TRICARE system are dynamic and at least as stringent as those of any healthcare system in America today.

Nevertheless, the unfortunate instances reported in the Cox News Service articles required scrutiny and raised justifiable concerns. Common to these egregious instances were staffing issues (quantity, competency, and continuity) and medical records issues (accuracy, completeness, timeliness, and continuity). To some degree, these ongoing, systemic challenges might be regarded as sentinel aspects of policy development and resource management (acquisition, allocation, and stability). These core issues, so significantly related to many of its charter initiatives, stimulated the Panel to consider and develop four general recommendations in addition to the 44 specific recommendations to improve quality relative to the nine initiatives in the Panel's charter.

- **Implement a Unified Military Medical Command to:**

- a. **achieve stability and uniformity of healthcare processes and resource acquisition.**
- b. **manage an error reduction and safety program based on root cause analysis, system process redesign, responsive resource management, and provider education.**

In considering the initiatives and objectives in its charter, the Panel noted instances where the lack of uniform processes across Services hindered the ability of the overall system to aggregate consistent information, analyze it, and achieve stability and comparability with minimal variation. Although a lack of uniform processes does not necessarily result in poor clinical quality, it can hinder the

development and administration of a robust Military Health System (MHS) quality management system, and in the extreme it can limit accountability. Additionally, there appears to be difficulty (perhaps inability or unwillingness) in reallocating or transferring resources within a single Service or across Services (not to mention other federal agencies). Intuitively, it would seem likely that such difficulties would lead to adverse cost and process outcomes.

The Panel believes that lack of uniform workload reporting, cost analysis, and resource stability directly affect the ability to assess quality. *While less visible than the adverse outcomes cited in the Cox News Service articles, these factors establish the propensity for adverse outcomes more than any other factors do.* The Panel recognizes this is a complex issue that requires extensive examination.

- **Achieve comparability of oversight and accountability across the TRICARE spectrum—including both the direct care and purchased care components.**

Beneficiaries who use a contractor-established civilian network, or individual providers not in a network, do not necessarily have the same assurances of vigorous scrutiny of credentials and critical review of practice and privileges that their counterparts with access to Military Treatment Facilities can assume. The Panel found, in most instances, that the MHS monitors, oversees, establishes standards, notes and corrects deficiencies, establishes processes, and develops data and reports at its own facilities. However, the MHS is not yet able to extend this direct oversight and influence of process (or congruent proxies thereof) to its civilian networks.

More should be done to ensure comparable standards of quality and value by 1) exploring independent, comprehensive assessments of the contracted networks and their providers; 2) requiring a visible, performance-based process

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for the oversight and reappointment of network providers; and 3) using comprehensive, common processes and outcome metrics to support depiction of experience and process improvement across the direct and contracted segments of TRICARE.

- **Expand and refine credentials management for all healthcare professionals in the Military Health System (MHS) to:**
  - a. **enhance oversight, accountability, and career management (especially education) for such personnel; and**
  - b. **support implementation of and develop experience with a centralized federal interagency credentials repository.**

The current focus on privileged provider credentials has not addressed the expanding roles of nurses, pharmacists, technical personnel, other nonprivileged healthcare personnel, and administrators, nor the need for continuous monitoring of education, training, and performance. Although TRICARE has considered some "next steps," it needs to steadily strengthen its assessment and monitoring process for nonprivileged healthcare personnel and ultimately integrate this into a unified and standardized credentials system.

- **Install robust, comprehensive data systems capable of measuring and monitoring quality outcomes, resource utilization, and healthcare costs.**

Inefficiencies in data accrual, management, and analysis significantly restrict measurement of performance, assessment of quality of care outcomes, use of resources, and healthcare costs. Without consistency and integrity in such processes, opportunities to improve quality will continue to be encumbered. Efficient, comprehensive systems are fundamental to achieving excellence in both quality healthcare and

administration. At present, development and application of such data systems are incomplete and inconsistent across the TRICARE spectrum.

#### Recommendations to Address DoD Initiatives

The Panel has developed 44 *specific* recommendations to address the nine health care quality initiatives or objectives in its charter. Described below are all recommendations pertinent to these initiatives (numbered items). A compendium of all of the Panel's conclusions and recommendations follows this section.

- **Upgrade Professional Education and Training Requirements for Military Physicians and Other Healthcare Providers.**
  1. Performance expectations for all healthcare providers, military or civilian, should be defined and assessed through an ongoing competency assessment program.
  2. The plans of the Services covering compliance with Congress' mandate and Department of Defense (DoD) policy memoranda on General Medical Officers (GMOs) should proceed. The Services must ensure that providers assigned have the clinical skills necessary to care for the population served.
  3. Physicians and other healthcare providers working in isolated situations should receive technological and resource support (e.g., decision support tools, manpower, and adequate financial allocation) in addition to consultation and oversight.
  4. Appointment and retention criteria, performance expectations, and monitoring should be analogous and comparable for all healthcare providers, whether civilian providers working in our purchased care networks or "direct care" providers.

5. Strategies should be developed to enhance the measurement of performance and the assurance of quality in the "purchased care" sector.

- **Establish Centers of Excellence for Complicated Surgical Procedures.**

1. The current effort to develop a program to designate Centers of Excellence (COEs) within and for the Department of Defense (DoD)/Military Health System (MHS) should be aggressively pursued. This program will be based on the criteria created in the Centers of Excellence Project.
2. Pilot testing of the COE designation process, criteria, metrics, and organizational evaluation process should be completed for selected sets of Diagnosis Related Groups (DRGs) on an aggressive timetable.
3. A representative forum of significant federal and nonfederal constituencies should evaluate early pilot experience and use the information to facilitate refinement and broader implementation.
4. Essential metrics for clinical and administrative COE program elements should be incorporated into DoD/MHS automation initiatives as experience indicates.

The Panel approved a recommendation from the TRICARE Management Activity to allocate \$600,000 of appropriated funds for the development, under contract, of COE criteria.

- **Make Timely and Complete Reports to the National Practitioner Data Bank (NPDB) and Eliminate Associated Reporting Backlogs.**

1. Improve the Department of Defense (DoD) Risk Management Program by using an integrated tri-Service process to address cases, perform analysis, and provide coordination

with external agency peer review and the Department of Legal Medicine (DLM)/Armed Forces Institute of Pathology (AFIP).

2. Include Risk Management Program information about actions of significance in the DoD Quality Management Report (QMR).
3. Use risk management experience to develop educational products that healthcare professionals and other participants in healthcare services can use to improve safety and reduce risk.
4. Use common metrics in reporting aggregated and stratified risk management experience to facilitate comparisons and analyses of trends.
5. Modify the DoD Risk Management Program to require a uniform comprehensive process for identification and reporting of practitioners not meeting the standard of care in claims by active duty Service members (Feres-barred cases).
6. Require Managed Care Support Contractors (MCSCs) to develop processes for risk management and error reduction that are analogous to those used in the direct care system.

- **Assure That Military Health System Providers Are Properly Licensed and Have Appropriate Credentials.**

1. The current direct care system licensure policy promulgated by Department of Defense (DoD) Directive should be continued within the context of a dynamic, increasingly performance-data based quality management program.
2. The Assistant Secretary of Defense for Health Affairs (OASD(HA)) must continue to monitor state legislative initiatives on licensure of healthcare professionals and work with national

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entities to achieve uniformity of requirements, processes, assessment methodologies and results.

3. The Centralized Credentials Quality Assurance System (CCQAS), the automation platform for credentials management in the direct care system, should be aggressively refined to achieve the following:
  - a. Interface with other federal agency platforms to facilitate functions such as reserve mobilization, comparable performance assessment, and mission-directed rapid reassignment among federal military and nonmilitary clinical facilities;
  - b. Include meaningful, relevant, supportive clinical data;
  - c. Facilitate timely individual updates for essential data or information fields, such as medical license renewal and continuing medical education content and credit hours; and
  - d. Offer programmed and ad hoc capabilities for generating reports so that various levels of oversight and management can better manage personnel.
4. CCQAS should be tested within a TRICARE region to facilitate better and more comparable credentials review and appointment procedures between the Managed Care Support Contract (MCSC) system and the direct care system.

The Panel approved a recommendation from the TRICARE Management Activity to allocate \$750,000 of appropriated funds to further develop and refine the CCQAS platform.

## • Reestablish the Quality Management Report (QMR) to Aid in Early Identification of Compliance Problems.

1. Reestablish and improve the Quality Management Report as a:
  - a. Comprehensive information product for communicating with and educating leadership within Congress, the office of the Assistant Secretary of Defense (Health Affairs) (ASD[HA]), TRICARE Management Activity (TMA), the Services, and the Military Treatment Facilities (MTFs) on the status of quality in the Military Health System (MHS);
  - b. Framework to position and bridge essential components of the proactive MHS Quality Management Program; and
  - c. Vehicle to facilitate meaningful, specific comparisons among the Services, the federal agencies, and the civilian healthcare sector, especially in the risk management and patient safety arena.
2. Continue to refine the TRICARE Operations Performance Statement (TOPS) program to achieve better automated data support, better data utility for the operational levels of MTF and Regional Lead Agents (senior regional TRICARE administrative function) improved data quality, and better reflection of personnel resources.
3. Promulgate a definition of "quality" concerning MHS and TRICARE healthcare and related services that can be used to identify and position data and automation support initiatives in the future. Incorporate the definition into DoD Directive 6025.13, "Clinical Quality Management Program in the Military Healthcare System."



- **Improve Communication with Beneficiaries to Provide Comprehensive and Objective Information on the Quality of Care Being Provided.**

1. Maintain and continue to improve the Military Treatment Facility (MTF) report cards so that they provide meaningful information to beneficiaries. Further, through communication with beneficiaries, continue to identify those markers of quality of care that the beneficiaries determine should be measured on the MTF report card.
2. Maintain and continue to improve the provider directories so that they furnish meaningful information to beneficiaries.
3. Maintain and continue to improve the Healthcare Consumer Councils (HCCs) so that they provide a forum for a meaningful dialogue to connect beneficiaries with both the providers and the administrators of their healthcare. Tracking and resolution of identified issues should be a significant agenda item.
4. Make the benefit and benefit administration uniform across the TRICARE spectrum, including the direct care and purchased care components.
5. Continue to develop initiatives to improve communication with beneficiaries and to enhance their education on health quality issues.

- **Strengthen the National Quality Management Program.**

1. Update Department of Defense (DoD) Directive 6025.13, "Clinical Quality Management in the Military Health Services System" and include a definition of quality for TRICARE clinical healthcare and related services to orient current and future measurement initiatives.

2. Implement a uniform resourcing methodology to allow integration of resource management data and analyses into quality management processes.
3. Incorporate the National Quality Management Program (NQMP) external review of healthcare products into the audit and feedback process for improvement of healthcare and related services across the TRICARE spectrum including the direct care and purchased care components.
4. Continue to use an external peer review agency for malpractice case reviews.
5. Support and expand interagency collaboration in forums such as the Quality Interagency Information Coordination Task Force (QuIC) to leverage knowledge and resources for improving healthcare quality within the federal system and across the nation.

- **Ensure That All Laboratory Work Meets Professional Standards.**

1. Consolidate cytopathology centers across the Military Health System (MHS).
2. Develop supportive "production based" (reportable test) staffing models to ensure uniform adequacy of staff levels and ongoing training across all clinical laboratory disciplines.
3. Use the Centralized Credentials Quality Assurance System (CCQAS) to enhance the management of credentials of all laboratory professionals, whether officer, enlisted, contract, or civil service.
4. Require that clinical laboratory personnel hold and maintain qualifications analogous to those of their colleagues in the civilian sector.

## 8 HQIRP Report

5. Require that military personnel should meet federal standards; civil service and civilian contract personnel should meet the higher of federal or local jurisdictional standards.
- **Ensure the Accuracy of Patient Data and Information.**
  1. Move forward rapidly with development and implementation of the Composite Health Care System, Second Implementation (CHCS II) to provide more comprehensive, efficient electronic medical record support for all Department of Defense (DoD) beneficiaries.
  2. Continue as planned to enhance and ultimately absorb CHCS I into CHCS II through phased implementation of CHCS II.
  3. Ensure that appropriate analytical and ad hoc reporting capabilities are available for CHCS II data to provide pertinent assessment information for management at all levels within and across the military Services and for all healthcare settings of the military.
  4. Ensure that a longitudinal electronic health record exists for active duty military personnel, maintained through a global capability to link pertinent information databases available for peacetime and deployed operations.
  5. Participate actively in national and federal interagency policy and data standards development activities with organizations such as the National Committee on Vital and Health Statistics.
  6. Plan, program, budget, and fully fund business process reengineering resource requirements to facilitate full implementation of the MHS Optimization Plan and Force Health Protection.
  7. Establish strategic goals to progressively enhance "connectivity" with Computerized

Patient Records (CPRs) generated by managed care network providers and other providers working on behalf of TRICARE, not in the direct care system. Such integration, as feasible, should support common (uniform) data quality standards, data aggregation, audit, and robust analytical and report generation capabilities.

The Panel approved a recommendation from the TRICARE Management Activity to allocate \$3,000,000 to develop and pilot test clinical decision support enhancements compatible with CHCS II.

### Next Steps

The Panel believes it has achieved a thorough, efficient, balanced, and insightful report as mandated. It believes that this report will be useful in resolving many, though not all, questions that have arisen about the specific DoD healthcare initiatives cited herein.

Nevertheless, in some instances there are no simple answers—but rather more questions and other options and priorities waiting to be addressed. The Panel hopes that its recommendations will also prove helpful for such considerations and for the future evolution and improvement of the system.

Implementation of these recommendations will require additional resources. The Panel recommends that, with appropriate coordination and setting of priorities, adequate funding be made available.

The Panel members, individually or collectively, stand ready to assist in whatever fashion is deemed best to ensure an effective and efficient delivery of the Panel's recommendations and to continue with their ongoing engagement.



United States General Accounting Office  
Washington, DC 20548

March 17, 2004

The Honorable John W. Warner  
Chairman  
The Honorable Carl Levin  
Ranking Minority Member  
Committee on Armed Services  
United States Senate

The Honorable Duncan Hunter  
Chairman  
The Honorable Ike Skelton  
Ranking Minority Member  
Committee on Armed Services  
House of Representatives

*Subject: Defense Health Care: Status of Fiscal Year 2004 Requirements for Reservists' Benefits and Monitoring Beneficiaries' Access to Care*

Since September 2001, about 360,000 reservists have been called to active duty to support the war on terrorism, conflicts in Afghanistan and Iraq, and other operations. Some reservists have been on active duty for a year or more, and the pace of reserve operations is expected to remain high for the foreseeable future. When mobilized for active duty under federal authorities, reservists are eligible to receive health care benefits through DOD's military health care system, TRICARE. When reservists are ordered to active duty for more than 30 days, their families are also eligible for health benefits.

DOD supplements its military health care facilities with civilian health care providers through its triple-option TRICARE program. DOD's beneficiaries may enroll in TRICARE's Prime option and go to a network provider to receive care; without enrolling, they can see a network provider through the preferred provider option, Extra; or they may elect to use Standard, the fee-for-service option.<sup>1</sup> Some beneficiaries have raised concerns about difficulties in finding civilian providers—particularly Standard, non-network providers—who will accept TRICARE beneficiaries as patients.

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<sup>1</sup> All beneficiaries may receive care at military treatment facilities (MTF) as space and capabilities are available. TRICARE Prime enrollees have priority for care in MTFs.

The National Defense Authorization Act (NDAA) for Fiscal Year 2004, enacted on November 24, 2003, required the Department of Defense (DOD) to make changes in its delivery and monitoring of health benefits. In addition, the law directed us to review and report on aspects of these requirements.<sup>2</sup> As agreed with the committees of jurisdiction, we are providing the status of DOD's progress in implementing five requirements—three related to health benefits for reservists and two related to monitoring beneficiaries' access to care under TRICARE Standard.

To obtain information about DOD's progress in implementing these requirements, we reviewed relevant documentation from DOD and applicable laws. We also interviewed the DOD officials responsible for implementing them. Our work was conducted in March 2004 in accordance with generally accepted government auditing standards.

In summary, DOD is in various stages of implementing the three requirements related to health care coverage for reservists. DOD has implemented the requirement extending the time reservists and their families can use TRICARE and is in the process of implementing the other two requirements. DOD has not implemented the two requirements directed at enhanced monitoring of beneficiaries' access to care under TRICARE Standard. We will report further on these requirements as DOD makes progress.

## Background

The NDAA 2004 required DOD to temporarily extend the period of TRICARE coverage for reservists and their families and provided the option for some reservists to buy into the TRICARE program. Specifically, the NDAA 2004 provisions required DOD to

- 1) extend the Transitional Assistance Medical Program (TAMP) to allow recently demobilized reservists and their families to retain TRICARE benefits up to 180 days;<sup>3</sup>
- 2) make reservists and their families eligible for TRICARE benefits as soon as they receive a delayed-effective-date order for activation or 90 days before activation—whichever is later; and
- 3) allow certain reserve members, who are not mobilized, and their families who do not have any other health care benefits to enroll in TRICARE by paying 28 percent of program costs.<sup>4</sup>

<sup>2</sup> See Pub. L. No. 180-136, tit. VII, subtit. A, 117 Stat. 1392, 1524 (2003).

<sup>3</sup> Under TAMP, DOD provides a transitional period of benefits that allows reservists and their families to retain TRICARE benefits for a period following demobilization. The NDAA for Fiscal Year 2002 previously extended the transition period from 30 days to 60 or 120 days depending on the members' accrued total active federal military service. Pub. L. No. 107-107, § 736, 115 Stat. 1012, 1172 (2001) (codified at 10 U.S.C. § 1145(a)(3) (2000)).

<sup>4</sup> This enrollment would allow them to receive TRICARE benefits for any period that the member is an eligible unemployment compensation recipient or is not eligible for health care benefits under an employer-sponsored health benefit plan.



DOD decided that the TAMP benefit and the provision of benefits upon activation would be retroactive to November 6, 2003. The provision allowing qualified reservists and their families to enroll in TRICARE requires DOD to issue regulations to administer the program. Congress limited expenditures for these three provisions to a combined total of \$400 million for fiscal year 2004. All of the provisions are temporary, expiring December 31, 2004.

In addition, the NDAA 2004 required DOD to enhance its monitoring of beneficiaries' access to care for TRICARE Standard including

- 1) designating an official to ensure the adequacy of provider participation in the Standard option in each of TRICARE's market areas;<sup>5</sup> and
- 2) conducting surveys in 20 market areas every fiscal year until all markets have been surveyed to determine how many providers are accepting new patients under TRICARE Standard.

### **Status of Implementation of NDAA 2004 Requirements**

DOD is in varying stages of implementing the provisions for reservists' health care under NDAA 2004. First, in order to extend the TAMP benefit period to 180 days as required by law, DOD modified its Defense Enrollment Eligibility Reporting System (DEERS), the database that maintains information about TRICARE eligibility. This modification, which also included changes that allowed DOD to track expenditures for the benefit, was completed in January 2004. According to DOD, reservists who separated prior to that period will be retroactively reimbursed for their own or family members' medical expenses that were incurred on or after November 6, 2003.

Second, DOD has not completed all of the changes that will allow it to make reservists and their families eligible for TRICARE benefits as soon as they receive delayed-effective-date orders for activation or 90 days before activation—whichever is later. This benefit could not be immediately implemented because it also required DEERS modifications to record eligibility and track benefit expenditures. In addition, according to DOD officials, it required other complicated changes, including changes to TRICARE's contracts that are used to deliver health care through civilian providers. Further, each of the seven components that constitute the reserves had to change the process for ordering reservists to active duty, ensuring that DEERS receives mobilized reservists' eligibility information.<sup>6</sup> According to a DOD official, the department expects to implement this benefit this month, and reservists with qualifying orders issued on or after November 6, 2003 will receive retroactive payments for these benefits.

<sup>5</sup> DOD has identified 182 TRICARE market areas across the United States where there are large numbers of beneficiaries. The market areas were identified as part of DOD's awarding of new TRICARE support contracts that are scheduled to be implemented in June 2004.

<sup>6</sup> The armed forces reserve components consist of the Air Force Reserve, the Air National Guard, the Army Reserve, the Army National Guard, the Navy Reserve, the Marine Corps Reserve, and the Coast Guard Reserve.

Third, DOD has not completed drafting the regulations to implement the provisions allowing certain reservists and their families who do not have other health insurance to enroll in TRICARE by paying 28 percent of program costs. According to a DOD official, regulations that involve new populations and new benefits generally take 12 to 18 months to develop. Further, according to DOD officials, this benefit must have a reliable cost estimate before regulations are finalized, and to date, estimates from the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) differ widely. According to DOD, CBO's estimated costs for this provision were about \$70 million for fiscal year 2004 while OMB estimated that these costs would be \$1 billion. Further, DOD officials anticipate that TAMP and the expanded period of eligibility for benefits could cost up to the \$400 million allocated to cover the three provisions and little would subsequently be available to fund the enrollment benefit.

Furthermore, DOD has not implemented the requirements in NDAA 2004 regarding monitoring of the TRICARE Standard benefit. First, DOD has not designated the official responsible for ensuring adequate participation of Standard providers. According to a DOD official, it is likely that this responsibility will be assigned to the Assistant Secretary of Defense for Health Affairs, who will delegate the responsibility to the three TRICARE Regional Directors. These Directors will oversee the new TRICARE support contracts, which are scheduled to begin implementation in June 2004.

Finally, according to a DOD official, the department has not received the approval from OMB required by the Paperwork Reduction Act to conduct its initial market survey.<sup>7</sup> DOD has requested emergency approval from OMB. Based on an anticipated approval in April 2004, the first surveys are expected to be sent out May 31, 2004. DOD officials are uncertain when the analysis of the first set of surveys will be complete. Meanwhile, DOD has a Standard Directory feature on its Web page to help beneficiaries identify potential providers. The Web page explains that managed care support contractors will also help beneficiaries locate Standard providers.

We will continue to monitor and report on DOD's progress in implementing these requirements.

### **Agency Comments**

DOD officials reviewed a draft of this report and provided technical comments, which we incorporated where appropriate.

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<sup>7</sup> 44 U.S.C. §3501 *et seq.* (2000).

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We are sending copies of this report to the Secretary of Defense and other interested parties. We will provide copies of this report to others upon request. In addition, the report is available at no charge on the GAO Web site at <http://www.gao.gov>. If you or your staffs have any questions, please contact me at (202) 512-7119 or Bonnie W. Anderson at (404) 679-1900. Lois Shoemaker and Allan Richardson made key contributions to this report.



Marcia Crosse  
Director, Health Care--Public Health  
and Military Health Care Issues

(290364)

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U.S. General Accounting Office, 441 G Street NW, Room 7149  
Washington, D.C. 20548

**HEDIS®**

The Health Plan Employer Data and Information Set (HEDIS®) was developed to provide reliable, comparative data about health care quality, using data from health plans across the country and is intended to monitor how well health plans are delivering preventive care (e.g., breast cancer screening or cervical cancer screening), how well members with acute illnesses (e.g. acute myocardial infarction) are managed to avoid or minimize complications, and how well members with chronic diseases (e.g., asthma or diabetes) are managed to avoid or minimize complications. There are many HEDIS® measures but those selected for use in the MHS are related to outpatient processes of care and include:

- Cervical cancer screening rates (Pap tests)
- Breast cancer screening rates (mammography)
- Use of appropriate medications for people with asthma
- Diabetes care (HbA1c testing and control, low density lipoprotein cholesterol screening and control)

The calendar year 2003 national averages for HEDIS® Effectiveness of Care Measures are displayed in Table 1. The Military Health System data for calendar year 2003 is displayed in the attached graphs.

**Clinical Performance Metrics**

**Table 1**  
**HEDIS® Effectiveness of Care Measures**  
**2003 National Averages**

The recent publication, *The State of Health Care 2004*, by the National Committee for Quality Assurance provided the 2003 national averages for the HEDIS® Effectiveness of Care Measures. The table provided information on commercial health plans, Medicaid and Medicare. The table below provides the data for each of these areas in comparison to the Military Health System range of percents for calendar year 2003.

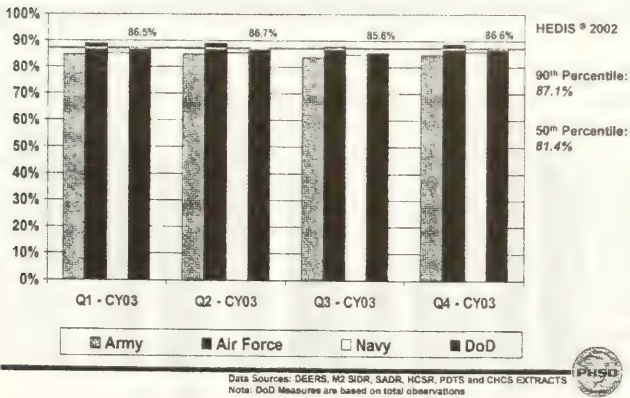
Measure	Commercial Health Plans	Medicaid	Medicare	Military Health System CY 2003 Range
<b>Cervical Cancer Screening</b>	81	64	N/A	86.5 – 86.7
<b>Breast Cancer Screening</b>	73.3	55.9	74	74.7 – 76.8
<b>Diabetes Care-Retinal Screen</b>	48.8	45	64.9	53.3 – 57.5
<b>Diabetes Care – Annual HbA1c Testing</b>	84.6	74.8	87.9	83 – 83.5
<b>Diabetes Care –</b>	32	48.6	23.4	24 - 25

<b>HbA1c Poor Control (Lower score is better)</b>				
<b>Diabetes Care – LDL Screening</b>	88.4	75.9	91.1	87.8 – 91.2
<b>Diabetes Care – LDL Control</b>	60.4	47.8	67.7	68.2 – 72

For the asthma data, no current benchmarks have been calculated / published as the 2003 information presented was calculated based on 2004 methods.

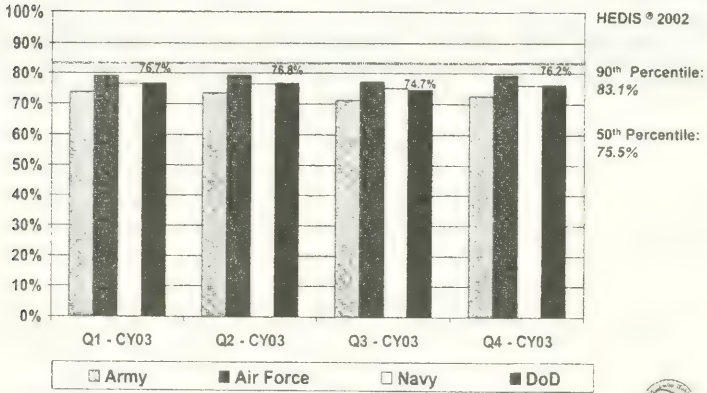
### Clinical Performance Metrics

#### MHS Cervical Cancer Screening



## Clinical Performance Metrics

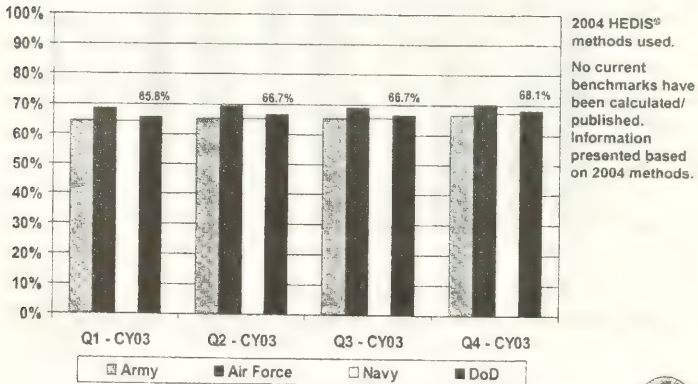
## MHS Breast Cancer Screening



Data Sources: DEERS, M2 SIDR, SADR, HCSR, PDTS and CHCS EXTRACTS  
Note: DoD Measures are based on total observations



## MHS Use of Appropriate Medications for Enrollees with Asthma

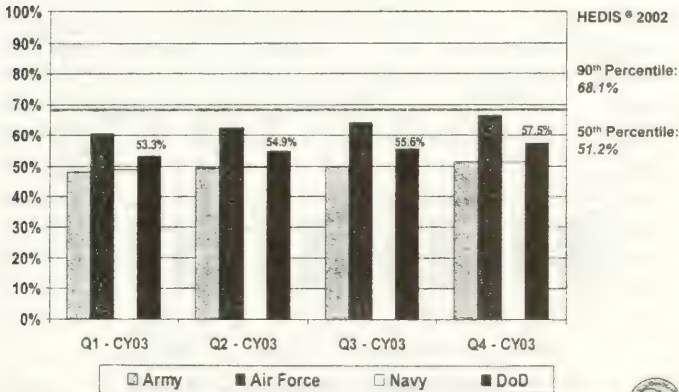


Data Sources: DEERS, M2 SIDR, SADR, HCSR, PDTS and CHCS EXTRACTS  
Note: DoD Measures are based on total observations

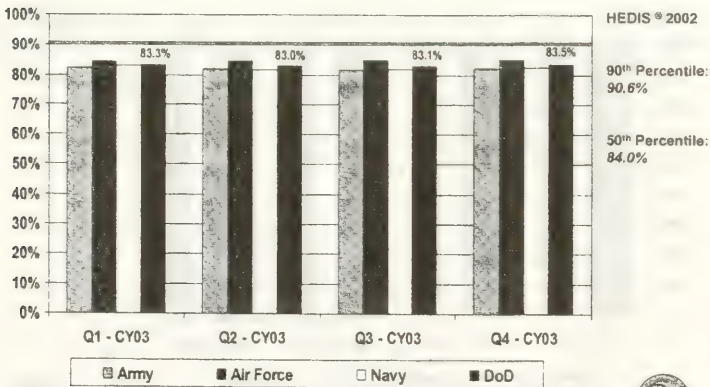




## Clinical Performance Metrics

MHS Diabetes Care -  
Retinal Screening

Data Sources: DEERS, M2 SIDR, SADR, HCSR, PDTS and CHCS EXTRACTS  
Note: DoD Measures are based on total observations

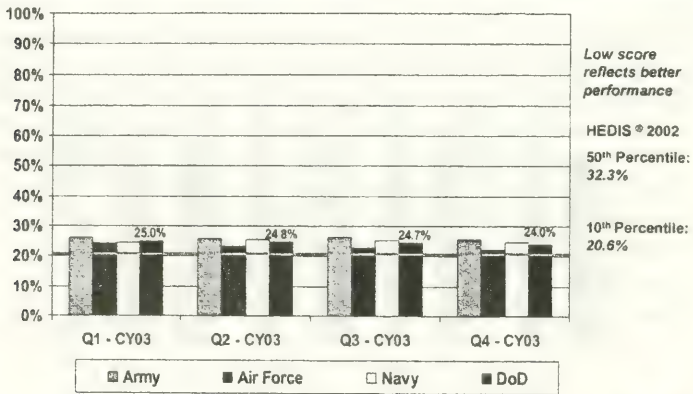
MHS Diabetes Care -  
Annual HbA1c Testing

Data Sources: DEERS, M2 SIDR, SADR, HCSR, PDTS and CHCS EXTRACTS  
Note: DoD Measures are based on total observations



# Clinical Performance Metrics

## MHS Diabetes Care - HbA1c Control (>9.5% or No Exam)\*

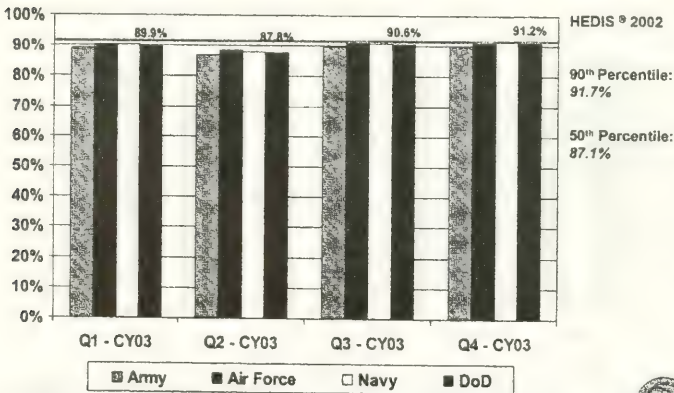


\*Note: Values for HbA1c tests performed in the network are not available.

Data Sources: DEERS, M2 SIDR, SADR, HCSR, PDTS and CHCS EXTRACTS  
Note: DoD Measures are based on total observations



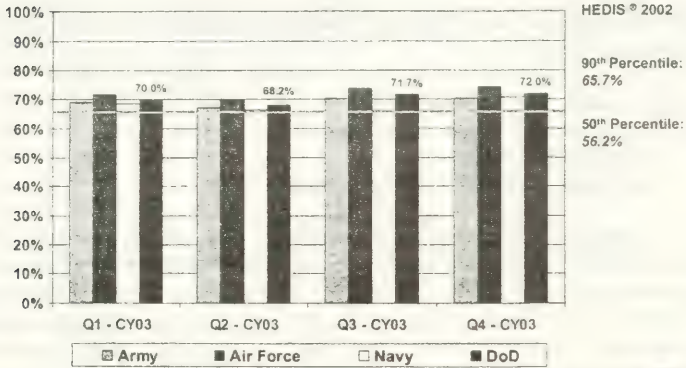
## MHS Diabetes Care - LDL Screening



Data Sources: DEERS, M2 SIDR, SADR, HCSR, PDTS and CHCS EXTRACTS  
Note: DoD Measures are based on total observations



**Clinical Performance Metrics**  
**MHS Diabetes Care -**  
**LDL Control (<130 mg/dl)\***



\*Note: Values for LDL tests performed in the network are not available.

Data Sources: DEERS, M2 SIDR, SADR, HCSR, PDTS and CHCS EXTRACTS  
 Note: DoD Measures are based on total observations



**ORYX®**

As of January 1, 2003, hospitals were required to report data obtained through record abstraction to the Joint Commission on three of the four available core measure sets in order to meet the ORYX® reporting requirement.

The Joint Commission on Accreditation of Healthcare Organizations ORYX® core measure data sets include:

- Pregnancy-Related Measures
- Acute Myocardial Infarction Measures
- Heart Failure Measures
- Community Acquired Pneumonia Measures

The Joint Commission publishes national averages for these sets each quarter, allowing comparison of health care systems across the nation. All DoD Military Treatment Facilities are accredited by JCAHO, so the ORYX® program provides the Department with an abundance of clinically-relevant data. The aggregated data from participating Military Treatment Facilities allows DoD to gauge its clinical performance against the benchmarks established by the Joint Commission national rates.

The Military Health System core measures data and analysis for calendar year 2003 is displayed in the attached graphs.

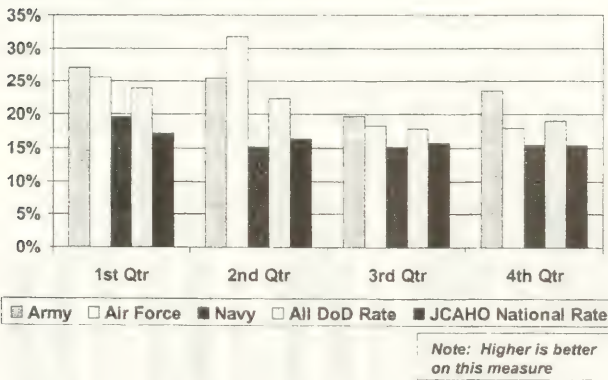


ORYX®

## Pregnancy-Related Measures

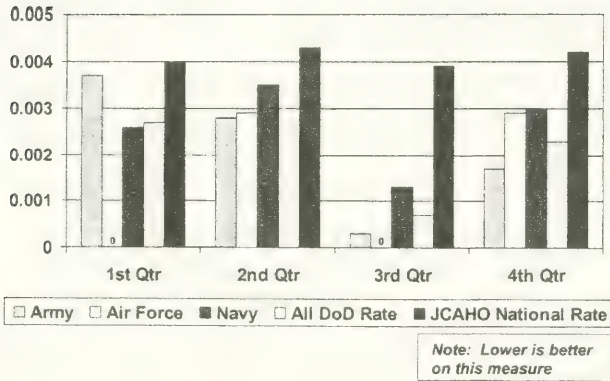
- PR-1 Vaginal birth after cesarean section (risk-adjusted)
- PR-2 Inpatient neonatal mortality: live born infants who expired less than 2 days after birth (stratified by birth weight) (risk-adjusted)
- PR-3 Third- or fourth-degree laceration: patients with third- or fourth-degree perineal laceration during vaginal deliveries (risk-adjusted)

ORYX® Pregnancy Related Conditions:  
 PR-1: Vaginal Delivery after C-Section  
 CY 2003

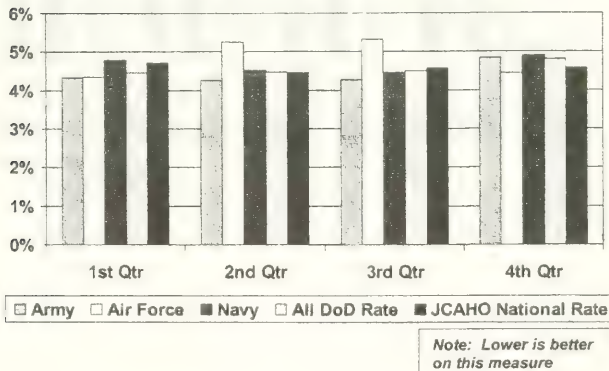


### Pregnancy-Related Measures

#### ORYX® Pregnancy Related Conditions: PR-2: Inpatient Neonatal Mortality CY 2003



#### ORYX® Pregnancy Related Conditions: PR-3: 3<sup>rd</sup> or 4<sup>th</sup> Degree Laceration CY 2003



The 2003 ORYX® Pregnancy Measures data demonstrated:

- DoD performed better than the Joint Commission national rate on all three indicators.
- The inpatient infant mortality rate for DoD patients was significantly less than the Joint Commission national rate.

### Acute Myocardial Infarction Measures

AMI-1 Aspirin at arrival

AMI-2 Aspirin prescribed at discharge

AMI-3 Patients with left ventricular systolic dysfunction (LVSD) prescribed angiotensin converting enzyme (ACE) inhibitor at discharge

AMI-4 Smoking cessation advice or counseling

AMI-5 Beta blocker prescribed at discharge

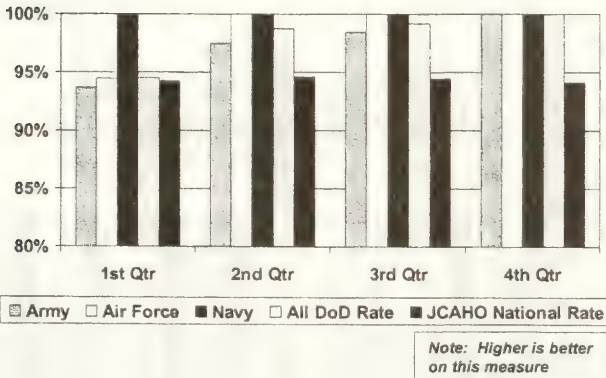
AMI-6 Beta blocker administered upon arrival

AMI-7 Time from arrival to initiation of thrombolytic medication

AMI-8 Time from arrival to initiation of primary percutaneous transluminal coronary angioplasty (PTCA)

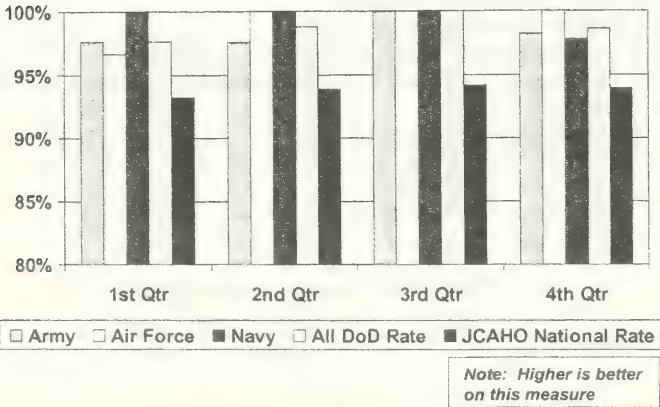
AMI-9 Inpatient mortality (risk-adjusted)

#### ORYX® Acute Myocardial Infarction: AMI-1: Aspirin on Arrival CY 2003

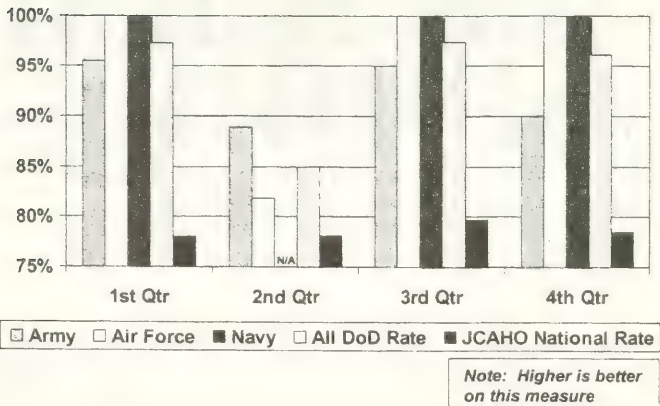


### Acute Myocardial Infarction Measures

#### ORYX® Acute Myocardial Infarction: AMI-2: Aspirin Prescribed at Discharge CY 2003



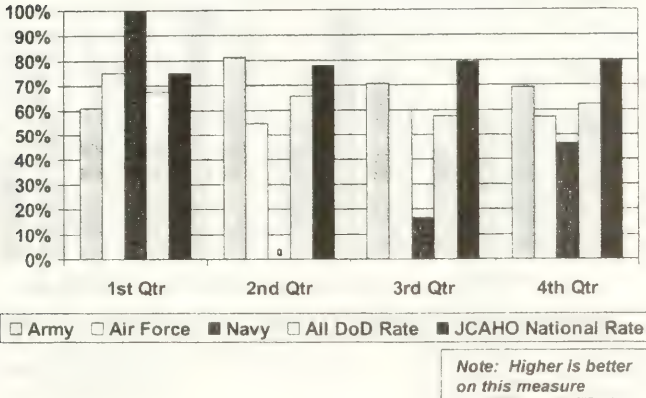
#### ORYX® Acute Myocardial Infarction: AMI-3: ACE Inhibitor for LVSD CY 2003



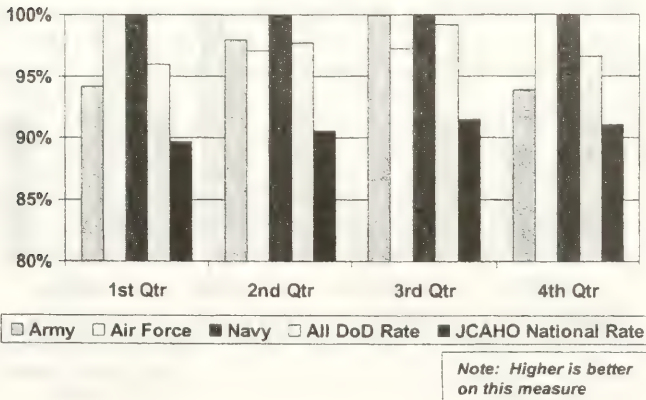


### Acute Myocardial Infarction Measures

#### ORYX® Acute Myocardial Infarction: AMI-4: Smoking Cessation Counseling CY 2003

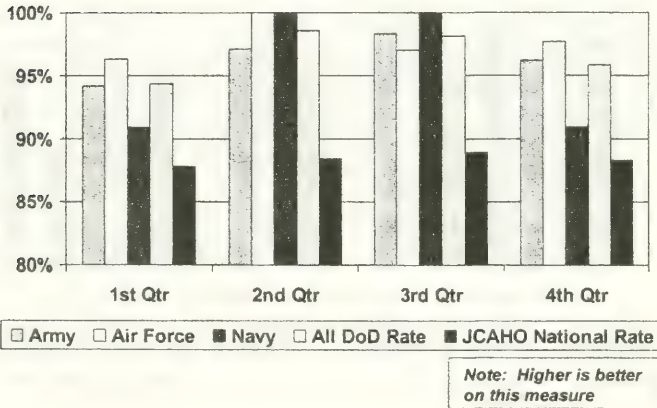


#### ORYX® Acute Myocardial Infarction: AMI-5: Beta Blocker Prescribed at Discharge CY 2003

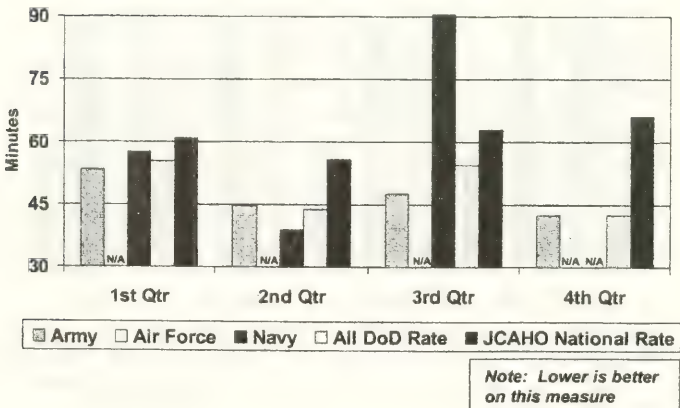


### Acute Myocardial Infarction Measures

#### ORYX® Acute Myocardial Infarction: AMI-6: Beta Blocker at Arrival CY 2003



#### ORYX® Acute Myocardial Infarction: AMI-7: Time to Thrombolysis CY 2003

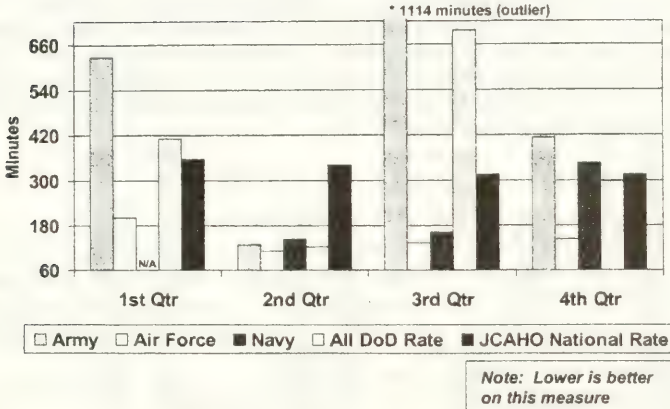


### Acute Myocardial Infarction Measures

ORYX® Acute Myocardial Infarction:

AMI-8: Time to PTCA

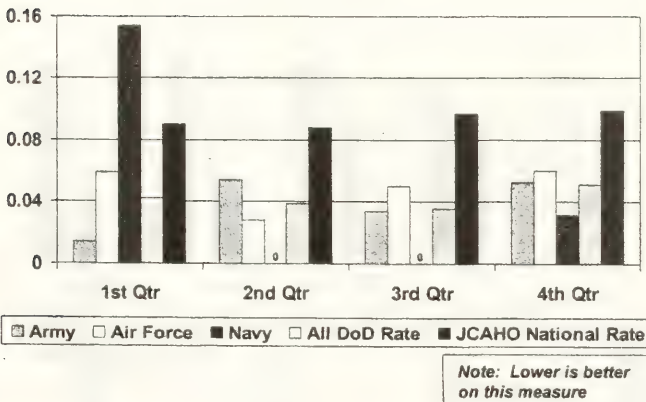
CY 2003



ORYX® Acute Myocardial Infarction:

AMI-9: Inpatient Mortality

CY 2003



### Acute Myocardial Infarction Measures

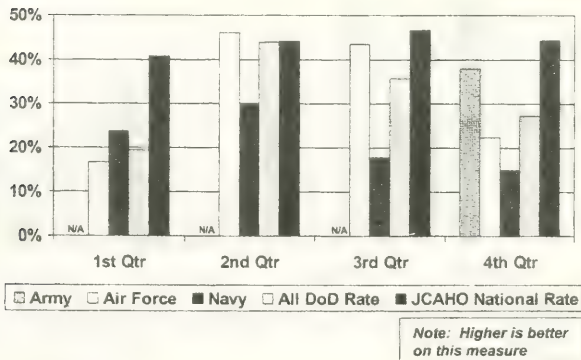
The 2003 ORYX® Acute Myocardial Infarction set demonstrated:

- The medical management of DoD patients with acute heart attacks was consistent with national benchmarks established by Joint Commission data. DoD performed better than the national benchmark in seven of the nine measures.
- One area identified for improvement was counseling about smoking cessation. A review of practices at Medical Treatment Facilities (MTFs) indicated that smoking cessation advice or counseling was frequently provided, but was not documented in the medical record. The DoD has implemented an ongoing initiative to standardize and improve the documentation of smoking cessation counseling. Smoking cessation has also been identified as an area of focus across DoD.

### Heart Failure Measures

- HF-1 Heart failure patients with complete discharge instructions in the medical record
- HF-2 Heart failure patients not admitted on angiotensin converting enzyme (ACE) inhibitor or angiotensin receptor blockers with left ventricular function evaluated before or during hospitalization or planned after discharge
- HF-3 Patients with left ventricular ejection fraction <40 percent (LVSD) prescribed angiotensin converting enzyme (ACE) inhibitor at discharge
- HF-4 Adult smoking cessation advice/counseling

ORYX® Heart Failure:  
HF-1: Discharge Instructions  
CY 2003

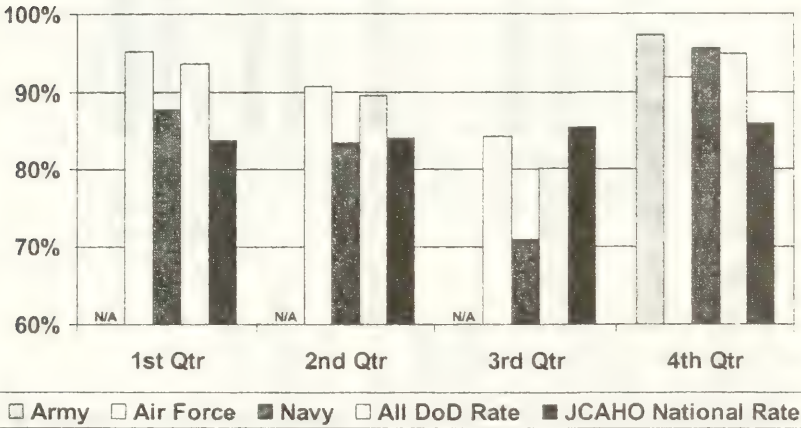




## Acute Myocardial Infarction Measures

ORYX® Heart Failure:

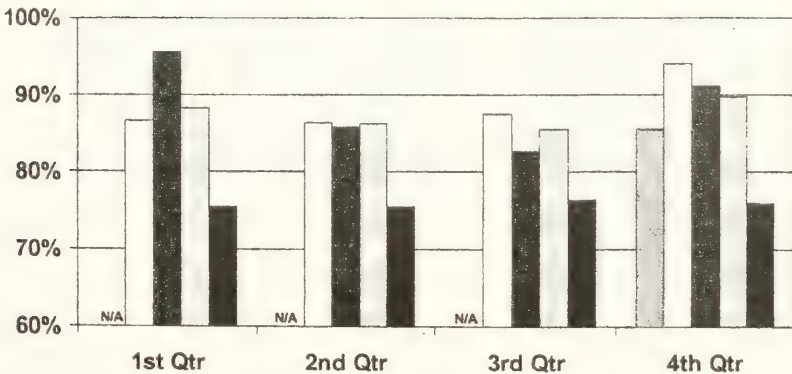
### HF-2: Left Ventricular Function Assessment CY 2003



*Note: Higher is better on this measure*

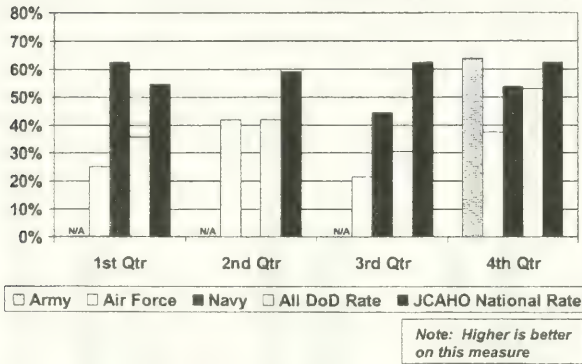
ORYX® Heart Failure:

### HF-3: ACE Inhibitor for LVSD CY 2003



### Acute Myocardial Infarction Measures

#### ORYX® Heart Failure: HF-4: Smoking Cessation Counseling CY 2003



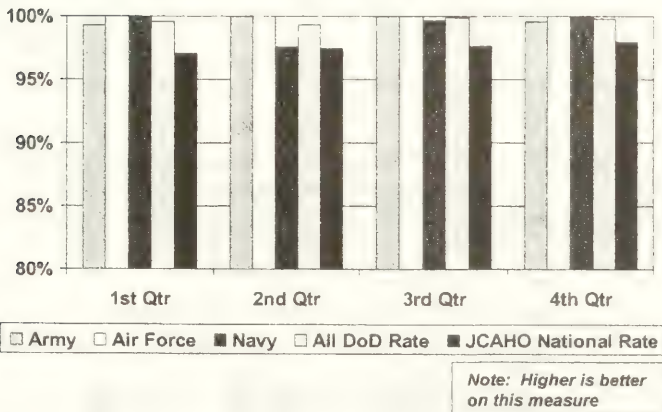
2003 ORYX® Heart Failure set demonstrated:

- Evaluation of left ventricular function and prescription of angiotensin converting enzyme (ACE) inhibitors at discharge from Military Treatment Facilities were frequently better than other hospitals participating in these ORYX® indicators.
- Documentation of discharge instructions improved significantly during the last two quarters of the year. An initiative to improve the documentation of smoking cessation advice/counseling was implemented.

### Community Acquired Pneumonia Measures

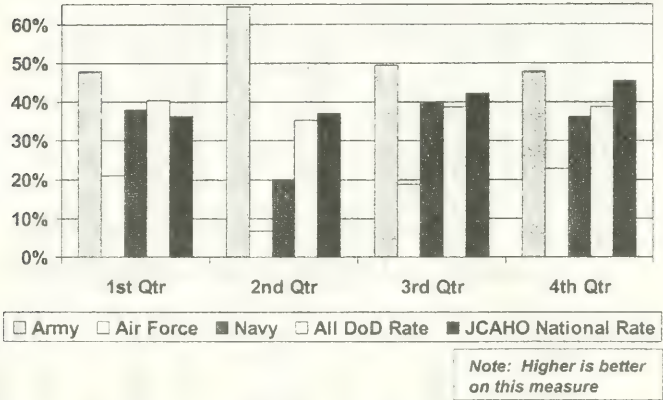
- CAP-1 Oxygenation assessment within 24 hours of hospital arrival
- CAP-2 Inpatients screened for and/or given pneumococcal vaccination
- CAP-3 Blood cultures obtained prior to first antibiotic administration
- CAP-4a Adult smoking cessation advice/counseling
- CAP-4b Pediatric smoking cessation advice/counseling
- CAP-5 Time from initial hospital arrival to first dose of antibiotic

#### ORYX® Community Acquired Pneumonia: CAP-1: Oxygenation Assessment CY 2003

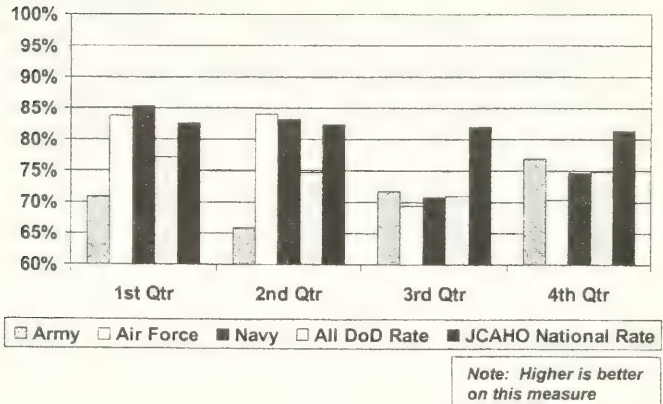


### Community Acquired Pneumonia Measures

#### ORYX® Community Acquired Pneumonia: CAP-2: Pneumococcal Screening/Vaccination CY 2003



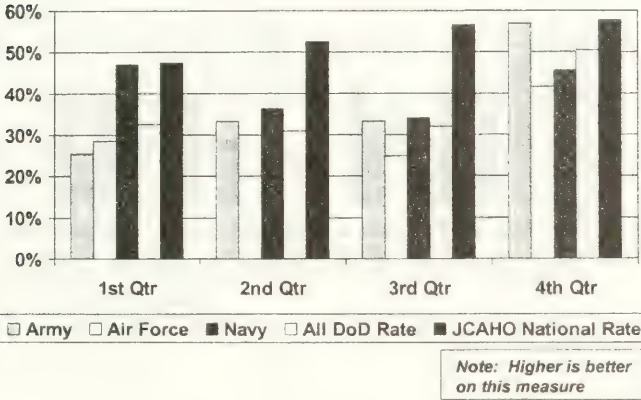
#### ORYX® Community Acquired Pneumonia: CAP-3: Blood Cultures CY 2003



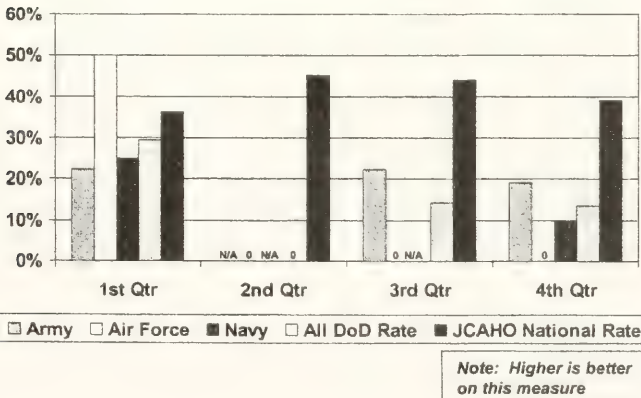


### Community Acquired Pneumonia Measures

#### ORYX® Community Acquired Pneumonia: CAP-4a: Adult Smoking Cessation Counseling CY 2003

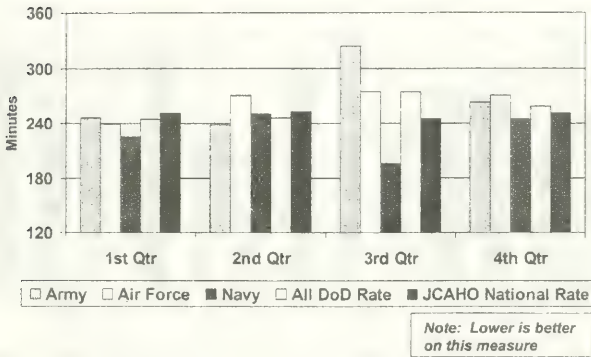


#### ORYX® Community Acquired Pneumonia: CAP-4b: Pediatric Smoking Cessation Counseling CY 2003



### Community Acquired Pneumonia Measures

#### ORYX® Community Acquired Pneumonia: CAP-5: Time to Antibiotic CY 2003



2003 ORYX® Community Acquired Pneumonia set demonstrated:

- Oxygenation assessment, inpatient pneumococcal screening and vaccination, and timing of first dose of antibiotics for DoD patients were consistent with other ORYX® participating organizations across the nation.
- The data on smoking cessation advice/counseling for this measure were consistent with the results seen in other ORYX® smoking cessation related measures.

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**QUESTIONS AND ANSWERS SUBMITTED FOR THE  
RECORD**

MARCH 18, 2004

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## QUESTIONS SUBMITTED BY DR. SNYDER

Dr. SNYDER. On March 12, 2004, UPI.com reported that an Army Medical after-action report indicates that there have been soldiers with mental health problems being deployed to Iraq, and recommended a stricter predeployment screening be implemented to keep at-risk soldiers from deploying. The UPI article went on to say that soldiers interviewed who have served in Iraq claim they did not have any mental health screening or counseling before taking Lariam and its use was not documented in their medical records. Dr. Winkenwerder and General Peake, what steps has the Department and the Army in particular, taken to ensure better mental health screening of our deploying troops? And, what steps are being taken to ensure that soldiers who are issued Lariam get proper medical screening and counseling, and its use is properly documented in their medical records?

Dr. WINKENWERDER. During the pre-deployment health assessment, Service members are specifically asked to characterize their health in general, whether they have any medical or dental problems, whether they have a 90 day supply of prescription medication, whether during the past year they have sought counseling or care for their mental health, whether they have any questions or concerns about their health and to certify, via their signature, that the responses to these questions are true. Any positive responses result in a more detailed interview, review of their medical records, and further evaluation.

Doctors, epidemiologists, and scientists within the Department of Defense are well aware of the most recent medical literature on the reported side effects of mefloquine (Lariam). The type of anti-malarial prescribed is based on the exposure risks and the drug resistance patterns in the deployed location. Mefloquine is prescribed in areas where other medications such as chloroquine are not effective in preventing infection. It is our policy that all Service members who are prescribed anti-malarial medication receive information about potential side effects. Service members are encouraged to immediately report any suspected untoward effects of medications to their health care provider so that an alternate medication can be prescribed. Any prescription medication dispensed should have a corresponding entry in the medical record or via an electronic pharmacy transaction.

General PEAKE. The purpose of the predeployment health assessment is to assess the state of the Soldiers' mental and physical health prior to deployment. The Soldiers are asked a series of questions that they are expected to answer truthfully, to the best of their knowledge. After answering the questions, they sign the document to certify that their responses are true. The questions address 1) their general state of health, 2) whether they have any medical or dental problems, 3) whether they are currently on a profile or undergoing a medical board, 4) whether they are pregnant (if a female), 5) whether they have a 90 day supply of prescription medications, 6) whether they have two pairs of prescription glasses or other personal medical equipment, 7) whether they have had or sought counseling for mental health in the last year and 8) an open ended question about whether they currently have any questions or concerns about their health. They are free to mention any and all medical and mental health concerns.

Once the Soldier has completed the questionnaire, each has an interview with a health care provider, after which there is a decision on whether a referral or laboratory work or additional studies are needed. A final medical disposition for deployment is deferred until all outstanding health concerns are resolved.

Soldiers are afforded every opportunity to address their health concerns, both physical and mental. Thus, the quality of the screening is dependent on the truthful answers that the service member provides. The only way a service member could deploy without his/her current or past medical condition being known, whether mental or physical or both, is for them to not truthfully answer the questions on the pre-deployment health assessment.

As outlined in a memorandum for the Office of the Assistant Secretary of Defense, dated 2 August 2002, the benefits and risks associated with the use of antimalarial drugs (including mefloquine) are provided during Soldier Readiness Processing (SRP). To assist in this, the U.S. Army Center for Health Promotion and Preventive

Medicine produced a Deployment Medication Information Sheet specifically for mefloquine.

Further, in a memorandum entitled "Updated Health Care Provider Information on Use of Mefloquine Hydrochloride (Lariam®) for Malaria Prophylaxis", dated 3 October 2002, Army health care providers are charged with the responsibility of familiarizing themselves with the proper use, contraindications, warnings and precautions for prescribing mefloquine. They are expressly reminded that mefloquine should not be prescribed for prophylaxis in patients with active depression or a recent history of depression; generalized anxiety disorder, psychosis or schizophrenia or other major psychiatric disorders.

Finally, in a memorandum entitled "Additional Patient Information to Accompany Each Prescription of Mefloquine", dated 20 November 2003, the Army Surgeon General charges Army healthcare providers to provide written information about mefloquine to each person who is prescribed mefloquine. The manufacturer of Lariam® produced a wallet-sized information card that addresses side effects and indications for discontinuation of the drug.

Dr. SNYDER. Rising health care costs are not unique to DoD. In fact, the cost of health care in the civilian sector has seen double digit growth for several years. As a result, the military health care system has seen a number of eligible beneficiaries returning to the program. Is the Department or the Services able to track the number of new users in the system? Can the Services and the Department determine if the individual is a new user or sporadic user of the program? How do the Services and the Department budget for the increase for both the new users and the intermittent users, and are you able to forecast their impact on the system?

Dr. WINKENWERDER. The Department has seen an increase in the number of users returning to the Military Health system over the past few years. DoD is able to determine the number of unique users in the system by tracking user identification numbers in both the private sector and the military treatment facilities. This tracking also enables identification of intermittent users. In addition to seeing new unique users of the system, we have also seen an increase in general usage by all user groups—including those that had only used the system sporadically in previous years.

The budget is developed by breaking down health care cost growth into three distinct pieces: general health care cost increases, overall increase in utilization of health care benefits due to the sum-total impact of frequent and intermittent users; and, increase in the number of users in the system. We use actual experience along with health care trends in the private sector as a basis for developing these estimates.

General PEAKE. The department has information systems to track eligible beneficiaries, as well as, new users to our healthcare system. Through routine analysis, we are able to determine how many new users obtained health care during a given period. We can also identify sporadic users and the types of services they obtain when they visit our medical facilities. Both the Services and the Department budget for the costs associated with changes in the number of users based on the historical health system costs and usage trends for all beneficiaries using our system. This is currently calculated at the Service level, but we are now compiling hospital level Business Plans projecting the resource requirements associated with required levels of care for the local beneficiary population. This detailed level of analysis will help us better identify the financial impact of changes in all healthcare variables.

Admiral COWAN. Respectfully defer to the Assistant Secretary of Defense for Health Affairs.

General TAYLOR. Yes. The Air Force can identify and track new users in two ways. First, by reviewing the number of new claims data, and, secondly, by reviewing the number of new patients accessing the direct care system through an analysis of Military Treatment Facility workload data.

Yes. New and sporadic users can be tracked upon demand by using claims data from civilian providers and the workload data from our direct care facilities.

The AFMS utilizes a requirements model to project workload at each Medical Treatment Facility (MTF) based on combination of historical workload, mission changes, and population trends. In order to minimize the financial risk, the Air Force Medical service programs the projected growth into the budget cycle during the POM process. For instance, in the current planning cycle the Air Force Medical Service forecasted a 3 percent growth in population for FY05 and FY06 and programmed an average cost per beneficiary to account for the increase. This growth is attributed primarily to an increased number of retirees who are 65 years old and older returning to the Military Health System under the TRICARE for Life benefit mandated in the 2002 National Defense Authorization Act.



Dr. SNYDER. The Healthcare Quality initiatives Review Panel recommended comparability of oversight and accountability through both the direct care and civilian networks. What action has been taken to ensure comparable standards of quality between the two components?

Dr. WINKENWERDER. The Military Health System continues its oversight of the direct care system through both the TRICARE Management Activity (TMA) and the Services and is making inroads to expand its oversight of the purchased care sector. The new TRICARE contracts require that all purchased care sector contractors achieve and maintain network accreditation by a nationally recognized accrediting organization. Network accreditation includes adherence to recognized quality management practices that will help achieve comparable standards of quality and value. Additionally, the National Quality Monitoring Contract (NQMC) will be used to assess quality in the network and, in conjunction with the National Quality Management Program (NQMP), will allow the Department more visibility of the comparability of quality in the direct care system and the purchased care system.

Statutory requirements, DoD Directives and Instructions, and Joint Commission on Accreditation of Healthcare Organizations accreditation standards provide the framework for setting professional expectations and maintaining a competency-based evaluation system within the direct care system. Likewise, the new TRICARE contracts will require similar standards in the purchased care system through required network accreditation. The adherence to recognized commercial credentialing practices will strengthen processes and improve DoD oversight of this most basic consumer protection. Furthermore, the NQMC will provide external comparisons of health care delivery, patient safety and quality of care measurement in health care regions.

The new TRICARE contracts also require that all purchased care sector contractors establish and continuously operate an internal quality management/quality improvement (QM/QI) program including every aspect of their operation, both clinical and administrative. The contractors will identify QM/QI problems and respective corrective actions planned/initiated.

Dr. SNYDER. The Healthcare Quality Initiatives Review Panel recommended further development and refinement of Centers of Excellence for Complicated Surgical Procedures. What is the current status of these Centers of Excellence? Has the pilot testing taken place? Has the criteria, metrics and evaluation process been established?

Dr. WINKENWERDER. In the process of establishing/validating criteria for the Centers of Excellence; the assembled Integrated Process Team found that the Veterans Health Administration has been engaged in a similar endeavor since 1990. The VA's National Surgical Quality Improvement Program (NSQIP) established validated, risk-adjusted surgical outcome measures and an effective evaluation process which includes sharing best practices and providing consultative services to hospitals with worse than expected outcomes. The NSQIP is the only such validated program, and the only such program that has been published in peer-reviewed journals. Given the absence of any comparable approach in the civilian sector, and the clear success the VA has had with its program, the TRICARE Management Activity terminated the Centers of Excellence program and initiated transition to NSQIP, to foster a "system of excellence" vice isolated "centers of excellence." DoD Policy Memorandum dated July 22, 2003, identifies NSQIP as the DoD surgical quality assurance and improvement program. Three pilot sites have started implementation of NSQIP.

An Agency for Healthcare Research and Quality (AHRQ) study includes private sector hospital participation in NSQIP, and the American College of Surgeons has introduced NSQIP as a surgical quality improvement initiative available to hospitals worldwide. As DoD implements NSQIP, evaluation will include NSQIP Executive Committee evaluation (VA and private sector surgeons), in addition to evaluation/oversight by a DoD National Surgical Quality Improvement oversight body.

General PEAKE. "Centers of Excellence" as a specific program no longer exists. It has been replaced by the DoD Surgical Quality Improvement Program (DoD-SQIP) and is based on the VA National Surgical Quality Improvement Program (NSQIP). It covers not only complicated surgical cases, but all surgical cases that take place under general anesthesia and can be used as a predictor of morbidity and as a metric for tracking and showing improvements in surgical care in the military health system by benchmarking against the VA and several participating large civilian institutions. The project is currently active in three medical centers, one each from the three services, and will be run as such for the next 2 years. The current Army site is the Walter Reed Army Medical Center. In FY06, if the program has been deemed to be a success, it will be enlarged to include more facilities from each of the services and will progressively continue to expand to all military facilities that can meet the criteria of number and level of surgical procedures performed, based

on NSQIP criteria. As the VA NSQIP is well established, the metrics will not be modified and will be used as currently defined.

Admiral COWAN. Naval Medicine uses the Veterans Affairs' National Surgical Quality Improvement Program (NSQIP) as our surgical quality assurance and improvement program as required by Department of Defense (DoD). The Policy Memorandum is dated July 22, 2003. DoD chose to use this process as NSQIP and it is the only validated surgical quality assurance program nationwide, and the only such program that has been published in peer-reviewed journals.

General TAYLOR. The Centers of Excellence program has evolved into a "system of excellence." We are using the Veteran's Administrations National Surgical Quality Improvement Program (NSQIP). This program has a decade-long track record for the VA and during the 10 years, their surgical morbidity and mortality has decreased dramatically.

Three pilot sites will be functioning as of July 2004:

- Wilford Hall Medical Center, Lackland AFB, TX
- Walter Reed Army Medical Center, Washington DC
- Naval Medical Center, San Diego, CA

The Department of Defense will use the same criteria and metrics that are currently being used by the VA system. These metrics are well accepted; have been in place for a decade, and have been published in literature several times. Additionally, the DoD will compare the results from our pilot site with 13 civilian hospitals that are also running test sites for the American College of Surgeons. This will permit benchmarking of the DoD hospitals against the VA and civilian sector.

Dr. SNYDER. The Healthcare Quality Initiatives Review Panel recommended that the Department expand and refine credentials management for all healthcare professional in the military health system through the use of the Centralized Credentials Quality Assurance System (CCQAS). The Panel recommended the Department coordinate its efforts with the Veterans Administration, which uses its Veterans Administration Professional Review Program (VETPRO), to develop an exchange between the two systems. Has this issue been raised with the DoD/VA Health Executive Committee?

Dr. WINKENWERDER. The Assistant Secretary of Defense for Health Affairs issued a policy memorandum for codification of business rules for the Centralized Credentials and Quality Assurance System (CCQAS) (April 22, 2003), which requires mandatory input of credentials for all healthcare providers. CCQAS provides a number of standard and ad-hoc credentials, risk management, and adverse privileging action reports which are accessible via the Web. These reporting capabilities are used by Military Treatment Facility Professional Affairs Coordinators, Service Headquarters quality assurance personnel, and TRICARE Management Activity/Health Affairs leadership. Additionally, the DoD/VA Health Executive Committee receives periodic updates on the ongoing pilot project evaluating the merits of integrating DoD's CCQAS and VETPRO to be completed by July 2004.

Dr. SNYDER. The Healthcare Quality Initiatives Review Panel recommended that the Department improve the connectivity between the direct care system and the managed care support contractors to ensure a common standard of data quality of patient records. The Panel supported an effort by TMA to develop and pilot a test clinical support system that would be compatible with CHCS II (Composite Health Care System II). What is the status of the pilot?

Dr. WINKENWERDER. Currently, all efforts are concentrating on successful transition to the new TRICARE contracts. Once these are in place, a feasibility analysis on how best to achieve connectivity with the managed care network will be conducted.

Clinical Knowledge Couplers to support clinical decision making are currently being integrated into CHCS II.

Dr. SNYDER. As the operational tempo for the Reserves continues to increase, will your services be able to continue to meet your obligation to provide medical and dental care for the Reserves?

Admiral COWAN. Naval Medicine will meet our obligation to provide medical and dental care to mobilized Reserve forces. Accomplishing this mission may necessitate increased use of network providers to either (1) meet the mobilization requirements and timelines for the Reserves or (2) to care for Prime enrollees if they must be referred to the network so that MTF providers can care for Reserve personnel. Naval Medicine expects to experience a surge in Reserve mobilization of Marines at Naval Dental Center (NDC) Camp Pendleton and NDC Camp Lejeune during summer 2004. Present manning levels and expected PCS transitions during this same time will vigorously impact the capability of Navy Dentistry to meet the obligation of delivering dental care during this time of increased operational tempo. NDC Camp



Lejeune expects to mobilize approximately 5,000 Reserve Marines while demobilizing approximately 4,000 Reserve Marines. NDC Camp Pendleton expects a surge of 200 Reserve Marines per month during this period.

Dr. SNYDER. Does the FY05 proposed budget adequately fund the health care needs of these service members and their families? If not, what needs to be done to ensure that medical and dental care is properly funded and provided?

Admiral COWAN. Respectfully defer to the Assistant Secretary of Defense for Health Affairs.

Dr. SNYDER. The General Accounting Office recently reported that the military treatment facilities are forgoing millions of dollars from third-party insurers because key information that is required to bill and collect are not being properly collected by the services. What is being done to improve the information systems for all military treatment facilities to effectively bill and collect from third-party insurers?

General PEAKE. It is noted that Army Third Party Collection Program collections through second quarter, fiscal year 2004 exceeded those through second quarter, fiscal year 2003, by 32 percent. There are several information system and business process improvements underway at Department of Defense (DoD) and Army levels to improve billing and collection from third party insurers. DoD level information system and business process improvements are as follows: Correction of reimbursement rates, to include adding the institutional fee for ambulatory patient visits (projected release—1 June 2004); improvement of other health insurance (OHI) capture, insurance validation and file maintenance; and new DEERS will become the central repository for both the standard insurance table and the OHI table, for all DoD Medical Treatment Facilities (MTF), projected for implementation within calendar year 2004.

DoD is also considering a joint project with the VA to create and share a hybrid health insurance database, comprised of purchased databases, for improving access to health insurance information. The project is entitled the Federally Shared Third Party Obligation Program, or F-STOP. Implementation of electronic billing for outpatient claims submission also improves timeliness of receipt of payment on outpatient claims from an average of 30 days to as short as 5 days. The Health Insurance Portability and Accountability Act (HIPAA) 837 software was deployed DoD-wide in March 2004, and DoD medical treatment facilities are being brought on line with the selected vendor, to bill electronically for outpatient services.

Enhancements of the Composite Health Care System (CHCS, for inpatient billing) and the Third Party Outpatient Collection System (TPOCS, for outpatient billing), which will facilitate linkage of ancillary services to the encounter to ensure they are captured for billing; capture of missed prior billable encounters; and meeting more payers requirements by including a diagnosis field for ancillary services.

Development of a state of the art billing system, the Patient Accounting System (PAS), which will replace the billing functionality of CHCS and TPOCS, which will be comprised of: Coding Compliance Editor—front end automated coding checks to ensure compliant coding, which is critical to ensuring compliant billing; live testing of this system is ongoing at three DoD MTFs, and is projected for deployment to all DoD MTFs in fiscal year 2005; Charge Master Based Billing System—the standard of the insurance billing industry, this will ensure we capture and bill for all applicable charges; and Final Coding Checker—back end automated coding checks to ensure coding is correct, prior to the bills being sent to payers.

Army level information system and business process improvements are as follows: Performance management monitors TPCP collection performance against collection goals, and briefs progress quarterly to the Deputy Surgeon General and The Surgeon General. It also tracks the cost of collections (measure of efficiency of operations) by MTF, since the lower the cost of operations, the greater the amount of collections that are available for enhancement of health care to beneficiaries.

Army developed, and submitted a system change request to DoD, for automating this DD form 2569 (TPCP—Insurance Information) into CHCS. This simplifies the OHI documentation process for clinic clerks. The Lost Opportunities Report is an Army developed automated system and report that tracks OM capture by clinic clerk. We shared the programming for this report with all Army MTFs, and with DoD, for dissemination to Air Force and Navy MTFs. We developed and implemented a contract for performing late claims payment follow-up and population of a claims database to support consolidated legal demands (litigation). We reiterated the importance of identifying, documenting and updating beneficiary information for billing third party payers in a formal memorandum (26 Mar 2003) sent to all MTF commanders. The memorandum includes best business practices for optimizing OHI capture and documentation and disseminates TPCP best business practices/tips for success at least quarterly, via email address list, to all Army MTFs.

Admiral COWAN. As identified by GAO, inadequate identification of patients with third-party insurance is the greatest obstacle to increasing collections. Navy Medical Treatment Facilities (MTFs) have implemented two initiatives to increase Other Health Insurance (OHI) identification. First, MTFs are conducting monthly health record reviews for validity and prevalence of Other Health Insurance as part of the Commander's Data Quality Statement. Second, Navy MTFs have hired certified medical coders to ensure accuracy and completeness of medical records to reduce the number of rejected/denied claims and increase third party collections.

Naval Medicine is also collaborating with DoD and VA to develop a centralized database based upon which data from the Defense Enrollment Eligibility Reporting System (DEERS) can reflect Other Health Insurance information. This joint venture will enable MTFs to obtain Other Health Insurance information from non-DoD government sources and enhance the identification DoD and VA beneficiaries with OHI, facilitating the third-party collections process.

General TAYLOR. Accurate coding leads to clean bills and improved collections. To aid in coding accuracy and improved collections, the Air Force is deploying various systems improvements to effectively bill and collect from third-party payers.

The AF is currently deploying the Composite Health Care System II and the Provider Graphical User Interface (P-GUI) to MTFs. P-GUI is a windows-based graphical user interface that communicates directly with the Composite Health Care System (CHCS) and the Ambulatory Data Module (ADM). It provides the user more advanced coding capabilities. The present configuration allows the user to fully document an encounter electronically. When the user documents notes for the medical record, the system is also coding the encounter. Once CHCS II is deployed to the MTFs the P-GUI records will be imported into CHCS II allowing for improved data quality and continuity of care. P-GUI and CHCSII represent the front-end of the provider documentation and coding process.

The Air Force is also supporting the deployment of a new Military Health System (MHS) billing solution, the Patient Accounting System (PAS). The PAS is a standardized, consolidated, information system to perform cost recovery management functions in the MHS. PAS has two increments of deployment, first being the Coding Compliance Editor (CCE), which will improve coding accuracy and compliance at our treatment facilities. The CCE is an enterprise-wide coding compliance, data collection and reporting solution for the MHS. This comprehensive, integrated solution is meant to increase data quality, improve third-party collections and reduce the risk for non-compliance. This solution will process 100% of outpatient/inpatient encounters to identify coding inconsistencies requiring further processing based on regulatory edits, medical necessity, correct use of modifiers, level of service and diagnosis specificity. This system will allow coders to edit and update encounter data based on industry standard edits to optimize reimbursements.

The second increment is the deployment of the Charge Master Based Billing System (CMBB). This standardized billing solution will improve common billing, collecting, accounting and reporting functionalities associated with the Third Party Collection Program.

Mr. SNYDER. There has been an increase in the number of reservists and in the case of the Army, the National Guard, that have been mobilized for active duty in order to meet duty operational requirements of Operation Iraqi Freedom and Operation Enduring Freedom. As the operational tempo for the Reserves continues to increase, will your services be able to continue to meet your obligation to provide medical and dental care for the Reserves? Does the proposed FY05 budget adequately fund the health care needs of these service members and their families? If not, what needs to be done to ensure that medical and dental care is properly funded and provided?

General PEAKE. The projected Troop Phase Deployment List for Operation Iraqi Freedom for the National Guard and Army Reserve units is essentially the same as last year. The health care needs for those units were met last year with no adverse impact on the AMEDD.

As the operational tempo and population of activated Reserve Component Soldiers increases, it will become increasingly difficult for the Army Dental Care System to meet the mobilization and routine dental requirements for this beneficiary population without additional resourcing. As it is, dental activities defer/delay meeting routine dental care requirements of the Active Component at power projection platforms and power support platforms due to short term focus on mobilization missions. Simultaneously occurring refit/reset missions for redeploying units and mobilization processing for deploying units further exacerbates the situation.

While the Reserve Component units have made improvements in getting their Soldiers dentally ready, significant numbers of Reserve Component Soldiers continue to report to mobilization stations requiring dental readiness related dental



care. Low unit dental readiness has a negative impact on unit training and mobilization activities (Soldiers are at dental clinics receiving and recovering from multiple treatments for dental class 3 conditions instead of training with the unit during mobilization and preparing for deployment), places unnecessary stress and potential discomfort on Soldiers due to accelerated dental treatment, overburdens active duty dental units who are not resourced for the additional workload, and results in delays in treatment for routine patients of dental treatment facilities. The Reserve Components should have a fully funded dental readiness program that provides Reserve Component Soldiers annual dental exams and dental readiness care as required, regardless of duty status. The result will be dentally ready and deployable Reserve Component personnel, who would also experience improved dental health and wellness.

In addition, the National Defense Authorization Act for FY2004, Section 703, entitles Reserve Component Soldiers to the Active Duty Dental Health benefits as early as 90 days prior to their delayed effective active duty date. As more Reserve Component Soldiers take advantage of this entitlement to receive routine and/or readiness related dental care, additional funding will be required to meet this demand. The U.S. Army Medical Command did include these requirements in the submission to TRICARE Management Activity (TMA) for FY05 Global War on Terrorism (GWOT).

Admiral COWAN. Naval Medicine will meet our obligation to provide medical and dental care to mobilized Reserve forces. Accomplishing this mission may necessitate increased use of network providers to either (1) meet the mobilization requirements and timelines for the Reserves or (2) to care for Prime enrollees if they must be referred to the network so that MTF providers can care for Reserve personnel. Naval Medicine expects to experience a surge in Reserve mobilization of Marines at Naval Dental Center (NDC) Camp Pendleton and NDC Camp Lejeune during summer 2004. Present manning levels and expected PCS transitions during this same time will vigorously impact the capability of Navy Dentistry to meet the obligation of delivering dental care during this time of increased operational tempo. NDC Camp Lejeune expects to mobilize approximately 5,000 Reserve Marines while demobilizing approximately 4,000 Reserve Marines. NDC Camp Pendleton expects a surge of 200 Reserve Marines per month during this period.

Respectfully defer to the Assistant Secretary of Defense for Health Affairs.

Dr. SNYDER. Number one, has a level playing field been achieved in providing comparable oversight and accountability for the purchase care as well as the direct care components of TRICARE?

Dr. WINKENWERDER. The Military Health System (MHS) continues its oversight of the direct care system through both the TRICARE Management Activity (TMA) and the Services and is making inroads to expand its oversight of the purchased care sector. The new TRICARE contracts require that all purchased care sector contractors achieve and maintain network accreditation by a nationally recognized accrediting organization. Network accreditation includes adherence to recognized quality management practices that will help achieve comparable standards of quality and value. Additionally, the National Quality Monitoring Contract (NQMC) will be used to assess quality in the network and, in conjunction with the National Quality Management Program (NQMP), will allow the Department more visibility of the comparability of quality in the direct care system and the purchased care system.

General PEAKE. The Military Health System (MHS) oversight structure will be achieved through the implementation of a new TRICARE Governance Plan which will go into effect with the next generation of TRICARE contracts. The Governance Plan establishes a formal business planning process and spells out processes for dispute resolution. The new structure is through a collaborative yet separate design in which TMA manages the TRICARE health plan and the contractors while the Services manage the direct care system and health care delivery. The new TRICARE contracts require that all purchased care sector contractors achieve and maintain network accreditation by a nationally recognized accrediting organization. Network accreditation includes adherence to recognized quality management practices that will help achieve comparable standards of quality and value. Additionally, the National Quality Monitoring Contract (NQMC) will be used to assess quality in the network and, in conjunction with the National Quality Management Program (NQMP), will allow the Department more visibility of the comparability of quality in the direct care system and the purchased care system.

Admiral COWAN. No. The current efforts to establish a level playing field using the balanced scorecard clinical metrics is hampered by numerous practical constraints. For example, data from the Joint Commission's Performance Improvement program ORYX® cannot be reported for individual DoD patients while they are cared for in network facilities; nor can we access network laboratory or radiographic data electronically. Also, we do not have a system for doing chart audits for out-

patient care performed in the network. Two programs are in place for monitoring quality service provision. In the direct care system the National Quality Monitoring Program (NQMP) performs this function, and in the network, the National Quality Monitoring Contract (NQMC) does so. At present these systems do not work in tandem. We continue to discuss mechanisms for more closely aligning the work of the NQMP and NQMC to provide a more exact comparison of quality across both the direct care and network care system.

General TAYLOR. TMA recently responded to this question by saying that the MHS continues its oversight of the direct care system through TMA and the Services and is making inroads to expand its oversight of the purchased care sector. The TRICARE next generation of contracts require that all purchased care sector contractors achieve and maintain network accreditation by a nationally recognized accrediting organization. Network accreditation includes adherence to recognized commercial credentialing practices as well as quality management practices that will help achieve comparable standards of quality and value. Additionally, the National Quality Monitoring Contract (NQMC) will be used to assess quality in the network and, in conjunction with the National Quality Management Program (NQMP), will allow the Department more visibility of the comparability of quality in the direct care system and the purchased care system.

The AFMS concurs with TMA's response and offers the following comments: Although the goal is to provide comparable oversight and accountability of the purchased care system, as is done in the direct care system, MHS is not there yet. There is no access to the Managed Care Support Contracts (MSCS) malpractice, adverse actions, sentinel events, performance improvement, and patient safety issues. Even access to credentials information is difficult because there is no electronic access. One would have to physically visit the site to review the provider credentials files. This has been done a couple of times in the past by Lead Agents. The downside to gaining access to the above information is the cost to the MCSC to do it electronically. However, if the plan is to have the same level of oversight for the MCSC that we have for the direct care system, that will be necessary.

Dr. SNYDER. Number two, have data systems been implemented that can be audited for accuracy and that can measure and monitor quality outcomes, resource utilization, and health care costs?

Dr. WINKENWERDER. The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) ORYX measures and the NQMC and NQMP, combined with quarterly metrics review to include quality measures imbedded in the balanced scorecard (metrics which track progress in achieving MHS Strategic Plan goals), all provide a robust mechanism for monitoring quality within the MHS. Current Patient Safety information technology solutions include an Application Service Provider called MEDMARX, which provides for DoD reporting of pharmacy and medication errors, the Pharmacy Data Transaction System (PDTs), which provides real time feedback for potential drug-drug interactions prior to dispensing medication, and TapRoot, which provides for root cause analysis of medical errors. Furthermore, the Centralized Credentials and Quality Assurance System (CCQAS) Risk Management Module and Adverse Privileging Action Module, when fully implemented by the Summer of 2004, will provide additional tracking and trending of incidents, malpractice claims, and review processes related to privileging actions. Composite Health Care System II (CHCS II), which is detailed under Chapter #9, will also play a major role when fully implemented.

General PEAKE. The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) ORYX measures and the NQMC and NQMP, combined with quarterly metrics review to include quality measures imbedded in the balanced scorecard (metrics which track progress in achieving MHS Strategic Plan goals), all provide a robust mechanism for monitoring quality within the MHS. Current Patient Safety information technology solutions include an Application Service Provider called MEDMARX, which provides for DoD reporting of pharmacy and medication errors, the Pharmacy Data Transaction System (PDTs), which provides real time feedback for potential drug-drug interactions prior to dispensing medication, and TapRoot, which provides for root cause analysis of medical errors. Furthermore, the Centralized Credentials and Quality Assurance System (CCQAS) Risk Management Module and Adverse Privileging Action Module, when fully implemented by the Summer of 2004, will provide additional tracking and trending of incidents, malpractice claims, and review processes related to privileging actions. Composite Health Care System II (CHCS II), which is detailed under Chapter #9, will also play a major role when fully implemented.

Admiral COWAN. Yes. Naval Medicine uses several data driven systems to monitor quality outcomes including: JCAHO ORYX measures, the Department of Defense (DoD) National Quality Monitoring Contract, the DoD National Quality Monitoring



Program, the Military Health System (MHS) balanced scorecard and quarterly metrics. Current patient safety information technology solutions include the use of the MEDMARX system that provides the Medical Treatment Facility (MTF), Service Headquarters and Department of Defense (DoD) wide reporting of pharmacy and medication errors, and the TapRoot system, that provides a standardized approach for conducting the root cause analysis of medical errors. In addition, as part of the BUMED Business Plan, each command must submit standard patient safety goals, metrics, and outline a realistic means toward achieving them.

The Centralized Credentialing Quality Assurance System (CCQAS) Risk Management Module and Adverse Privileging Action Module will provide additional tracking and trending of malpractice claims and review processes related to privileging actions. Similarly, there are robust electronic capabilities to track resource utilization and healthcare costs to allow managers to track performance versus the established business plan. Initiatives to improve coding within the direct care system are currently underway.

The Military Healthcare System has two repositories that maintain data used to measure outcomes: the MHS Data Repository and the MHS MART (M2). Both systems are used to analyze performance in a number of areas including patient safety, population health, and healthcare delivery effectiveness. These systems can be audited and their data can be traced back to individual encounters at our MTFs.

Navy Medicine uses the Summarized Management Analysis Resource Tool (SMART) to plan for resource utilization and monitor execution of resources (funds, workload, staffing). To maintain the most efficient use of resources, this web-based presentation of Defense Finance and Accounting Service data enables virtual real time access throughout Naval medicine activities.

General TAYLOR. The JCAHO ORYX measures and the NQMC and NQMP, combined with the balanced scorecard approach and quarterly metrics all provide a robust mechanism for monitoring quality within the MHS. Current Patient Safety IT solutions include Application Service Provider called MEDMARX, which provides for DoD reporting of pharmacy and medication errors, and TapRoot, which provides for root cause analysis of medical errors. The AF is waiting for the updated TapRoot software to be delivered to DoD so that the MTFs can place the software on the LAN.

Furthermore, the Centralized Credentials Quality Assurance System (CCQAS) Risk Management Module and Adverse Privileging Action Module, when fully implemented by the Summer 2004, will provide additional tracking and trending of incidents, malpractice claims, and review processes related to privileging actions. Similarly, there are robust electronic capabilities to track resource utilization and healthcare costs which allow managers to track performance versus the established business plan. Initiatives to improve coding within the direct care system are currently underway.

Additionally, the Credential module of CCQAS has standard reports to monitor credentials at MTF, Service, and DoD levels. The AF already deployed the Malpractice module in September 2003 and is finalizing the Adverse Action module with an anticipated deployment date of June 2004. Similar standard reports can therefore be done for malpractice and claims/payments and adverse professional actions. CCQAS data is forwarded to Armed Forces Institute of Pathology (AFIP), which allows DoD to review trends across all Services and monitor outcomes over time. The Department of Legal Medicine at AFIP disseminates lessons learned via their educational periodical.

Although DoD instituted MEDMARX for reporting of medication-related events, there is no comparable mechanism for reporting, measuring, analyzing of *non-medication* events. The DoD Patient Safety Executive Committee prioritized a data reporting system for FY04, but no fix date is in sight.

Finally, there is data mining done by the AF Population Health Support Division to support the MTF and primary care provider in caring for their patients based on HEDIS measure and P2R2. This is one system that requires provider accountability.

Dr. SNYDER. Number three, have demonstration projects been designed and implemented that will provide policy guidance to enable consolidation and safer performance of high-risk procedures such as organ transplantation, joint replacement, cardiac surgery?

Dr. WINKENWERDER. In the process of establishing/validating criteria for the Centers of Excellence, the assembled Integrated Process Team found that the Veterans Health Administration has been engaged in a similar endeavor since 1990. The VA's National Surgical Quality Improvement Program (NSQIP) established validated, risk-adjusted surgical outcome measures and an effective evaluation process which includes sharing best practices and providing consultative services to hospitals with

worse than expected outcomes. The NSQIP is the only such validated program, and the only such program that has been published in peer-reviewed journals. Given the absence of any comparable approach in the civilian sector, and the clear success the VA has had with its program, the Chief Medical Officer, TMA, directed termination of the COE program and transition to NSQIP, to foster a "system of excellence" vice isolated "centers of excellence." DoD Policy Memorandum dated July 22, 2003, identifies NSQIP as the DoD surgical quality assurance and improvement program. Three pilot sites have started implementation of NSQIP.

General PEAKE. In the process of establishing/validating criteria for the Centers of Excellence, the assembled Integrated Process Team found that the Veterans Health Administration has been engaged in a similar endeavor since 1990. The VA's National Surgical Quality Improvement Program (NSQIP) established validated, risk-adjusted surgical outcome measures and an effective evaluation process which includes sharing best practices and providing consultative services to hospitals with worse than expected outcomes. The NSQIP is the only such validated program, and the only such program that has been published in peer-reviewed journals. Given the absence of any comparable approach in the civilian sector, and the clear success the VA has had with its program, the Chief Medical Officer, TMA, directed termination of the COE program and transition to NSQIP, to foster a "system of excellence" vice isolated "centers of excellence." DoD Policy Memorandum dated July 22, 2003, identifies NSQIP as the DoD surgical quality assurance and improvement program. Three pilot sites have started implementation of NSQIP.

Admiral COWAN. Naval Medicine uses the Veterans Affairs' National Surgical Quality Improvement Program (NSQIP) as our surgical quality assurance and improvement program as required by Department of Defense (DoD). Policy Memorandum dated July 22, 2003. DoD chose to use this process as NSQIP is the only validated surgical quality assurance program nationwide, and the only such program that has been published in peer-reviewed journals.

General TAYLOR. In the process of establishing/validating criteria for the Centers of Excellence (COE), the assembled Integrated Process Team found that the Veterans Health Administration has been engaged in a similar endeavor since 1990, as it strives to measure and improve its own surgical outcomes. The VA's National Surgical Quality Improvement Program (NSQIP) established validated, risk-adjusted surgical outcome measures and an effective evaluation process which includes sharing best practices and providing consultative services to hospitals with worse than expected outcomes. The NSQIP is the only such validated program, and the only such program that has been published in peer-reviewed journals. Given the absence of any comparable approach in the civilian sector, and the clear success the VA has had with its program, the Chief Medical Officer directed termination of the COE program and transition to NSQIP instead: A "system of excellence" vice "centers of excellence." DoD Policy Memorandum dated July 22, 2003, identifies NSQIP as the DoD surgical quality assurance and improvement program.

Dr. SNYDER. Number four, has a streamlined tri-service risk management process been implemented that achieves review of specified adverse outcomes and all closed malpractice cases, manages pertinent summary data, produces analyses of experience, and assures uniform identification reporting of practitioners not meeting the standards of care to the MPDB?

Dr. WINKENWERDER. The DoD Risk Management Committee has gone to extraordinary lengths to develop a tracking methodology to provide visibility on all paid malpractice claims, with inclusion of cross referencing of information from alternative sources. These additional checks and balances should alert all committee members of conditions which, if not addressed, will result in backlogs developing. With the implementation of the Risk Management and Adverse Action modules of Centralized Credentials and Quality Assurance System (CCQAS), and modifications to CCQAS standard reports, it is hoped that trending and ability to provide lessons learned will be realized in the very near future, once all three Services have completed validation of the conversion of their legacy information to the new web based modules.

The Department of Legal Medicine/Armed Forces Institute of Pathology (DLM/AFIP) continues to provide input to the yearly Quality Report as well as publish an educational journal which disseminates information and lessons learned on risk management topics. A more aggressive stance on sentinel events has been incorporated into the revised Quality Assurance Directive and new Quality Assurance Regulation, which requires root cause analysis on all sentinel events, not just those which must be reported to the Joint Commission on Accreditation of Healthcare Organizations.

Completed root cause analyses and corrective plans will be forwarded to the Patient Safety Center for analysis and trending with other patient safety data. Identifi-



fication of lessons learned and best practices should soon follow with system-wide dissemination of such information to minimize the chance of recurrence of such events. Reports from the Patient Safety Center, including risk management issues, are routinely included for discussion at the TRICARE Quality Forum, the TRICARE Quality Council and the Patient Safety Executive Council. Information about risk management activities is promulgated through several channels, including the Quality Management Report.

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Admiral COWAN. No. Naval Medicine is working closely with the Assistant Secretary of Defense for Health Affairs, and the other services to continue to improve risk management reporting, data collection and communication. Naval Medicine Risk participates as a member of the Department of Defense (DoD) Risk Management committee. The implementation of the Risk Management and Adverse Action modules of Centralized Credentialing Quality Assurance System (CCQAS), and modifications to CCQAS standard reports will provide trending lessons learned information.

Naval Medicine RM is actively validating records and releasing completed cases to Department of Legal Medicine at the Armed Forces Institute of Pathology (AFIP). Access will be provided to field activities for data entry and tracking claims status data. The Department of Legal Medicine, AFIP, continues to provide input to the yearly Quality Report as well as publish an educational journal that disseminates information and lessons learned on risk management topics.

The DoD Patient Safety Program requires root cause analysis on all reportable sentinel events, as well as those events classified as a Safety Assessment Code 3 (SAC 3). These events require a root cause analyses and corrective action plans that are forwarded to the Patient Safety Center (PSC) for analysis and trending along with other patient safety data. The PSC identification of lessons learned and best practices results in system wide dissemination of such information to minimize the chance of recurrence of such events through a variety of mechanisms including: Safety Alerts, Hot Topics, the newsletter, new tool development and formal reports. Reports from the Patient Safety Center, including risk management issues, are routinely included for discussion at the TRICARE Quality Forum, the TRICARE Quality Council and the Patient Safety Executive Council.

General TAYLOR. The DoD Risk Management Committee has gone to extraordinary lengths to develop a tracking methodology to provide visibility on all paid malpractice claims, with inclusion of cross referencing of information from alternative sources. These additional checks and balances should alert all committee members of conditions which, if not addressed, will result in backlogs developing. With the implementation of the Risk Management and Adverse Action modules of CCQAS, and modifications to CCQAS standard reports, it is hoped that trending and ability to provide lessons learned will be realized in the very near future, once

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The AFMS is collaborating the efforts of patient safety and risk management under Air Force Instruction 44-119, *Clinical Performance Improvement*, demonstrating the need to integrate these programs to improve the quality of care we deliver. In addition to reviewing reportable sentinel events, the AFMS also reviews medical mishaps with the Medical Incident Investigation, which is analogous to the Aircraft Investigation process. The MIIs are objective, external, intensive reviews of medical incidents with a formal report and brief presented to AF/SG. Lessons learned are disseminated throughout the AFMS via the AF/SG Clinical Notice to Airmen (NOTAM) program. The AF Risk Management office sends applicable NOTAMS to the other services and posts them to our Clinical Quality website for review.

The AF is working hard to identify methods to provide more in-depth training to personnel performing the RCAs/MIIs and proactive risk assessment. We hope to provide more training on human factors and how to apply them to medical processes. The investigators are doing their best, but they are still identifying the need for new or updated policies and procedures and training as the best fixes. AF Patient Safety is looking at tapping into line experience with aircraft accident investigation.

Dr. SNYDER. Number five, does the Centralized Credentials Quality Assurance System (CCQAS) periodically provide updated reports at the military treatment facility and command levels listing unlicensed physicians on staff and license expiration dates for those licenses?

Dr. WINKENWERDER. The DoD licensure requirements, as outlined in statutory law (10 USC 1094) and policy (DoD Directive 6025.13 and new DoD QA Regulation) continue to be promulgated. Codification of Centralized Credentials and Quality Assurance System (CCQAS) business rules has ensured the inclusion of the entire universe of all providers so that system changes to the credentials modules, when complete, will provide near real-time accountability rather than having to rely upon the "snap shot in time" capability previously provided by data calls from the three Services. When fully operational, standard reports from CCQAS will become the only accepted documentation for licensure accountability.

General PEAKE. The DoD licensure requirements, as outlined in statutory law (10 USC 1094) and policy (DoD Directive 6025.13 and new DoD QA Regulation) continue to be promulgated. Codification of Centralized Credentials and Quality Assurance System (CCQAS) business rules has ensured the inclusion of the entire universe of all providers so that system changes to the credentials modules, when complete, will provide near real-time accountability rather than having to rely upon the "snap shot in time" capability previously provided by data calls from the three Services. When fully operational, standard reports from CCQAS will become the only accepted documentation for licensure accountability.

Admiral COWAN. Yes.

CCQAS does provide a mechanism for updated reports on status of licensed staff. These reports, however, are not accurate without validation, as they do not take into account the numerous variables that must be considered when determining if it is acceptable for a provider to be unlicensed at a certain point in their career. For example, clinical psychologists require 3000 hours of supervised practice before being eligible to apply for state licensure.

General TAYLOR. The DoD licensure requirements, as outlined in statutory law (10 USC 1094) and policy (DoD Directive 6025.13 and new DoD QA Regulation) continue to be promulgated. Codification of CCQAS business rules has ensured the inclusion of the entire universe of providers so that system changes to the credentials modules, when complete, will provide near real-time accountability rather than having to rely upon the "snap shot in time" capability previously provided by data calls



from the three Services. When fully operational, standard reports from CCQAS will become the only accepted documentation for licensure accountability.

Great effort has been made to ensure the CCQAS reporting function is consistent with reporting at all levels. The system has recently been enhanced to standardize the information HA/TMA receives so that it mirrors Services/MTF level reports, and is consistent from each Service.

Dr. SNYDER. Number six, can any portion of the annual quality of management report now be prepared with supportive data automatically?

Dr. WINKENWERDER. Final revisions of the standard unlicensed provider reports have just been completed. When fully operational, standard reports from the Centralized Credentials and Quality Assurance System will become the only accepted documentation for licensure accountability. Standard reports of the risk management module will soon provide similar capabilities. MEDMARX will provide some of the patient safety information. Joint Commission on Accreditation of Healthcare Organizations ORYX core measures, the Risk Management tracking mechanism, and other quarterly metrics, provide quality information at regular intervals, although they are not yet automated processes.

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The AFMS is also releasing all medical malpractice claim and adverse action data to DoD (AFIP).

Dr. SNYDER. Number seven, are reports being developed or tested for the promulgation of beneficiaries of data based objective system and clinical progress?

Dr. WINKENWERDER. As described in the Healthcare Quality Initiatives Review Panel (HQIRP) report, MTF (hospitals, ambulatory clinics and dental clinics) report cards are in use and displayed. The components of the report card will need to be revised in the near future as Joint Commission on Accreditation of Healthcare Organizations (JCAHO) will soon no longer compute and publish grid scores as part of their accreditation process. The JCAHO new accreditation process will provide six different accreditation categories and specific evaluation of a facility's performance against other facilities in multiple categories, which will then be posted on the JCAHO website. The February 25, 2004, meeting of the TRICARE Quality Forum discussed this issue and what revisions will need to be made in the current policy. A revised policy will be issued in the near future.

General PEAKE. As described in the Healthcare Quality Initiatives Review Panel (HQIRP) report, MTF (hospitals, ambulatory clinics and dental clinics) report cards are in use and displayed. The components of the report card will need to be revised in the near future as Joint Commission on Accreditation of Healthcare Organizations (JCAHO) will soon no longer compute and publish grid scores as part of their accreditation process. The JCAHO new accreditation process will provide six different accreditation categories and specific evaluation of a facility's performance against other facilities in multiple categories, which will then be posted on the JCAHO website. The February 25, 2004, meeting of the TRICARE Quality Forum discussed this issue and what revisions will need to be made in the current policy. A revised policy will be issued in the near future.

Admiral COWAN. Yes. As described in the Healthcare Quality Initiatives Review Panel report, Medical and Dental Treatment Facility (M/DTF) report cards are in use and displayed. Components of the report card must be revised in the near future as JCAHO will soon no longer compute and publish grid scores as part of their accreditation process. The JCAHO new accreditation process will provide six different accreditation categories and specific evaluation of a facility's performance against other facilities in multiple categories, which will be posted on the JCAHO website. The February 25, 2004 meeting of the TRICARE Quality Forum discussed this issue and what revisions will need to be made in the current policy. A revised policy will be issued in the near future.

General TAYLOR. As described in the HQIRP report, MTF and DTF report cards are in use and displayed. The components of the report card will need to be revised in the near future as JCAHO will soon no longer compute and publish grid scores as part of their accreditation process. Additionally, the AF MTFs display Performance Improvement or clinical initiatives they are working in their individual departments.

JCAHO's new accreditation process will provide six different accreditation categories and specific evaluation of a facility's performance against other facilities in multiple categories, which will then be posted on the JCAHO website.

The February 25, 2004, meeting of the TRICARE Quality Forum discussed this issue and what revisions will need to be made in the current policy. A revised policy will be issued in the near future.

Dr. SNYDER. Number eight, has a standard resource methodology been achieved through TRICARE that is flexible and responsive to clinical needs and quality of management?

Dr. WINKENWERDER. There is a Tri-Service Resource Management Steering Committee that monitors resource allocation across the direct care system and serves as a forum to for reviewing and recommending solutions for Defense Health Program resource issues.

General PEAKE. There is a Tri-Service Resource Management Steering Committee that monitors resource allocation across the direct care system and serves as a forum to for reviewing and recommending solutions for Defense Health Program resource issues.

Admiral COWAN. Yes. The Military Health System Executive Review (MHSEER) Group is a senior level review group which addresses strategic and transitional issues for the Military Health System, including long range financing, benefit issues and key Defense Health Program execution matters. The Under Secretary of Defense (Personnel and Readiness) chairs the MHSEER. Principals include senior DoD civilian and military leadership. The group meets quarterly to review issues.

General TAYLOR. There is a Tri-Service Resource Management Steering Committee that monitors resource allocation across the direct care systems and serves as a forum to for reviewing and recommending solutions for Defense Health Program resource issues.

Dr. SNYDER. Number nine, is Centralized Credentials Quality Assurance System (CCQAS) now used to manage the credentials of all laboratory professionals?

Dr. WINKENWERDER. Credentials for providers are required to be included in the Centralized Credentials and Quality Assurance System (CCQAS). With regard to the laboratory personnel, all credentials for pathologists are managed locally in CCQAS. Laboratory officers, enlisted, contract, or civilian personnel are certified (through education and/or experience) and not licensed. Currently there is no requirement to use CCQAS to track non-providers.

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Admiral COWAN. Yes. All licensed providers (Physicians, Dentists, Allied Health Providers, Podiatrists, Optometrists, Nurse Practitioners, and Physician Assistants) are entered in CCQAS. CCQAS is currently being used as a tool to follow providers to ensure they maintain licensure and their practicing privileges. With regard to the laboratory personnel, all credentials for pathologists are managed locally in CCQAS. Laboratory officers, enlisted, contract, or civilian personnel are certified (through education and/or experience) and not licensed. Currently there is no requirement to use CCQAS to track non privileged providers.

General TAYLOR. Per 8 Jul 03 HA policy letter, Codification of Business rules for Mandatory inclusion of certain providers in CCQAS:



Phase 1: all physicians and dentists (including AFRC, AD, GS Civilian, Resource Sharing, Contract) had to be in CCQAS by October 2003.

Phase II: non-privileged clinical pharmacists, dental hygienists, certified alcohol and drug counselors, and providers in training programs were added to CCQAS by March 2004.

Lab professionals, except for Pathologists (physicians) are not included in the DoD requirements. Full deployment of Defense Medical Human Resource System-Internet (DMHRSi) could possibly meet this requirement if mandated by DoD.

Dr. SNYDER. Number 10, is a longitudinal electronic patient record now available for all Active-Duty patients and other beneficiaries?

Dr. WINKENWERDER. The Composite Healthcare System II (CHCS II), the next version of the military Electronic Health Record (EHR), is an enterprise-wide medical and dental clinical information system that generates, maintains and provides secure online access to comprehensive patient records. It supports medical readiness through uniform, high-quality health promotion and health care delivery to 8.9 million Military Health System beneficiaries. The EHR meets the eight care delivery functions that the Institute of Medicine identified as essential for such records to enhance safety, quality and efficiency of health care delivery. CHCS II is a key enabler for Force Health Protection, ensuring that deployed Service members' health care information is available for analysis and action. It also facilitates streamlined financial operations, increasing business process efficiencies, and improving customer service. To date, it supports 20,000 patient visits/week; CHCS II Clinical Data Repository contains enrollment eligibility records for all DoD beneficiaries and clinical data records for 447,000 unique patients. The military EHR began worldwide deployment in January 2004, and it is expected to take several years before implementation is completed.

The DoD transfers information electronically to the VA once the Service member separates or retires from the military through the Federal Health Information Exchange. Work is underway to ensure interoperability between DoD Clinical Data Repository and the Department of Veterans Affairs Health Data Repository.

General PEAKE. The Composite Healthcare System II (CHCS II), the next version of the military Electronic Health Record (EHR), is an enterprise-wide medical and dental clinical information system that generates, maintains and provides secure online access to comprehensive patient records. It supports medical readiness through uniform, high-quality health promotion and health care delivery to 8.9 million Military Health System beneficiaries. The EHR meets the eight care delivery functions that the Institute of Medicine identified as essential for such records to enhance safety; quality and efficiency of health care delivery. CHCS II is a key enabler for Force Health Protection, ensuring that deployed Service members' health care information is available for analysis and action. It is also facilitates streamlined financial operations, increasing business process efficiencies, and improving customer service. To date, it supports 20,000 patient visits/week; CHCS II Clinical Data Repository contains enrollment eligibility records for all DoD beneficiaries and clinical data records for 447,000 unique patients. The military EHR began worldwide deployment in January 2004, and it is expected to take several years before implementation is completed.

The DoD transfers information electronically to the VA once the Service member separates or retires from the military through the Federal Health Information Exchange. Work is underway to ensure interoperability between DoD Clinical Data Repository and the Department of Veterans Affairs Health Data Repository.

Admiral COWAN. No. The TRICARE Management Agency is deploying the Composite Health Care System II (CHCS II), which is an enterprise-wide medical and dental clinical information system that generates, maintains and provides secure online access to comprehensive patient records.

CHCS II is not presently deployed across Naval Medicine due to technical issues. We continue to work with TMA in resolving any technical issues at this time.

General TAYLOR. The Composite Health Care System II (CHCS II), the military Electronic Health Record (EHR), is an enterprise-wide medical and dental clinical information system that generates, maintains and provides secure online access to comprehensive patient records.

As the backbone of military medical readiness, CHCS II supports uniform, high-quality health promotion and health care delivery to 8.9 million Military Health System beneficiaries. The EHR meets the eight care delivery functions that the Institute of Medicine identified as essential for such records to enhance safety, quality and efficiency of health care delivery. It ensures continuity of health information and patient-centered health care delivery—one patient, one record. CHCS II is the key enabler for Force Health Protection, ensuring that deployed Service members' health care information is available for analysis and action. It is also the key to

streamlining financial operations, increasing business process efficiencies, and improving customer service. To date, it supports 20,000 patient visits/week; CHCS II Clinical Data Repository contains enrollment eligibility records for all DoD beneficiaries and clinical data records for 447,000 unique patients. The military EHR began worldwide deployment in January 2004, and is expected to take several years before implementation is completed. To facilitate seamless transition from the DoD to the VA, DoD transfers information electronically to the VA once the service member separates or retires from the military through the Federal Health Information Exchange. Work is underway to ensure interoperability between DoD Clinical Data Repository and the Department of Veteran's Affairs Health Data Repository.

Dr. SNYDER. Why shouldn't the Department implement an enrollment program so that it can better budget for health care costs in a given year so we can ensure that there is adequate funding for the defense health budget?

Mr. WASHINGTON and Dr. SCHWARTZ. While the Military Coalition (TMC) is firmly committed to full funding of the DHP, we do not believe that establishing an enrollment requirement for TRICARE Standard/Extra beneficiaries is the solution to current/future DHP shortfalls.

Allegedly, the purpose of the enrollment system is to define the eligible population and be able to communicate with them. In fact, the Defense Department already has the necessary data on beneficiaries who are eligible for and use the TRICARE Standard/Extra programs. The DEERS population, minus Prime enrollees and TFL eligibles, defines the eligibility pool, and DoD has a complete claims history for every beneficiary who has ever used the TRICARE Standard/Extra program.

The Coalition is concerned that the most likely result of establishing an enrollment program for TRICARE Standard/Extra beneficiaries ultimately will be (regardless of the current program administrators' intentions) using that program to deny claims payments for any beneficiary who hasn't formally enrolled.

The Coalition believes that developing and implementing an enrollment program would be costly, and serve only to create another bureaucracy with one more data base to manage, with inevitable errors in administration that can only pose inconvenience and administrative hassles for beneficiaries and providers.

If the Defense Department's concern is better budgeting, we believe the Department's resources would be far better spent in making better use of data already available to it and developing better reconciliation systems with Veterans Affairs, third-party collections, etc. The Coalition does not support constructing a system that shifts the administrative compliance burden (i.e., enrollment) onto the backs of the beneficiaries so the Department can penalize beneficiaries who don't enroll. We should not build a system that encourages penalizing beneficiaries for the Department's planning shortfalls.

Dr. SNYDER. What is the beneficiaries' highest priority that Congress should address this year?

Mr. WASHINGTON and Dr. SCHWARTZ. The answer to that question would reside with which category of beneficiary you would ask.

- \* The Coalition's highest priority is to seek permanent implementation of ALL of last year's temporary Guard and Reserve enhancements in last year's NDAA.

- \* Active duty and retired servicemembers and their families want assurance that access to TRICARE benefits are maintained (through the many contract transitions this next year) and that initiatives undertaken in last year's NDAA to improve provider participation and access to coverage are implemented aggressively.

- \* Guard and Reserve servicemembers and their families want increased education and access to the TRICARE benefit.

- \* TFL beneficiaries want assurance that their benefits will not be eroded in light of recent changes to the Medicare benefit. TFL was built upon the paradigm of Medicare in 2000. If P.L. 108-173 is implemented as Congress intended, it will be essential that the TFL benefit be preserved.

Dr. SNYDER. Mr. Butler's testimony addresses the need for adequate funding for the defense health budget. Rising health care costs are not unique to DoD. In fact, the cost of health care in the civilian sector has seen double digit growth for several years. However, one of the effects of the growth in the civilian sector is that a number of eligible beneficiaries are returning to the military health system. The majority of major health care systems require its members to enroll in their programs. This allows the program to better estimate potential usage and resource requirements. Why shouldn't the Department also implement an enrollment program so that it can better budget for health care costs in a given year so that we can ensure that there is adequate funding for the defense health budget?



Dr. BUCK. DoD should implement an enrollment program for healthcare benefits provided or arranged by it for all eligible, non-active duty beneficiaries for the rational reasons (and others) cited above.

Comment: This is an old discussion. There have been two major reservations: 1) To effect such a requirement, specific modification of Title X has been thought, by DoD legal counsel and others, to be required. 2) Such an attempted action might open other issues for the Congress, and might produce push-back from constituent groups (fearing increased uncertainty of benefits) and the military services (fearing losses to overtly competitive, large, perhaps more agile, "managed" health care organizations—especially the for-profit ones).

The lack of a national health policy specifically addressing access and a package of "basic" benefits is an important environmental factor that must be thought through in the context of Question 1. Successful implementation by DoD could well inform national policy development in this important area. The decision to go forward, however, carries risk. It would be dependent on judgment that the MHS (TRICARE) is sufficiently robust at this time to deflect any pushback.

In this context, "robustness" assumes critical elements that include: "seamless," timely referral among well-qualified military, DVA, and contracted civilian providers and entities, timely flexibility of surge capacity (especially among the contracted networks) during deployments or other emergencies (as now) essentially regardless of locale, proven successful management of high risk procedures for identified entities, and effective, comprehensive oversight and accountability.

(These elements require, in turn, continuing infrastructure improvements that must be matured aggressively in parallel with any beneficiary enrollment initiative—these improvements were the focus of the DoD Healthcare Quality Initiatives Review Panel. Some will require enhanced support.)

Dr. SNYDER. What is the beneficiaries' highest priority that Congress should address this year?

Dr. BUCK. Access, i.e., comfort with the perception, based on personal experience, that engagement with the military health system (TRICARE), whether emergent or non-emergent and (largely) independent of location, is simple, predictable, and effective. (The appointment system and productivity measures bear careful scrutiny and, perhaps, modification.)

Comment: While access concerns can serve as a powerful focus for effort, it is clear that perceptions can offer a slippery slope. Perhaps one should emphasize that the view is dependent on the beholder. One might find utility in asking this question of discernible groups *e.g.*, by age, sex, ranks, retired status with or without Medicare eligibility, location by functional health regions (*a la* John Wennberg and his Dartmouth Atlas), *etc.* Here, further utilization and refinement of the DoD (HA) satisfaction survey tool should offer substantial assistance.

Dr. SNYDER. Medical and dental readiness of the Reserve components remains a concern. There are not enough medical assets in the Reserve component to ensure the medical and dental readiness of the Guard and Reserves. What role can the managed care support contractors play in providing access to medical and dental care for Reservists who often do not reside near a military base?

Mr. WOYS. As a managed care support contractor, Health Net provides a network of civilian providers that meets the needs of the military family, including covered populations both within the service area of a Military Treatment Facility (MTF), and in service areas outside the range of MTFs.

To ensure we continually monitor and deliver an adequate network for the covered population, Health Net has developed a Network Sizing Model to estimate the number and mix of primary care and specialty providers required for beneficiaries. The reservists, as they become a covered population, would be added to the model for health care demand consideration in building our provider networks.

This model provides a simplified, yet comprehensive tool to estimate the capacities in the civilian network to complement the MTF healthcare services supplied under varying conditions. The output from the Network Sizing Model predicts provider needs in three categories: those civilian providers needed to satisfy the excess healthcare demand for MTF linked enrollees that cannot be supplied within the MTF environment; the civilian providers needed to supply the healthcare demand of the civilian-linked enrollees that can not be supplied within the MTF environment; and the number of civilian providers required to provide healthcare to all other non-Prime beneficiaries in the market area.

Provider development and network management strategies are based on the principle of collaboration between Health Net, the Regional Director, and the local MTF Commander in each of Health Net's identified market areas within the new TRICARE North Region. Health Net implements efficient network management strategies that address market area-specific issues using input from both the Re-

gional Director and local MTF Commander. If issues arise, we initiate a work group at the local MTF level to evaluate the market area-specific supply and demand factors impacting the delivery of healthcare. Healthcare data from direct care and civilian care operations drives the ultimate strategies developed at the local level.

Challenges exist when the reservists and their families live outside the Prime Service Areas (PSA). While Health Net has a network of providers throughout the entire region, only the designated PSA areas, defined by contract with the government, are maintained with the full array of specialty services under formal provider contracts. Outside these areas, Health Net works with the TRICARE Regional Office (TRO) North Regional Director to determine the needs of the covered populations, to include reservists, and builds networks to respond to population demands.

While network development is initiated to meet the needs of the military families, it is often difficult to recruit sufficient providers or an appropriate mix of providers in many rural areas. Families in most rural areas will typically fall into the TRICARE Prime Remote (TPR) Program.

Health Net assists the TRO in selective contracting of key providers as well as obtaining non-network providers that will accept the TRICARE beneficiaries. The key to success in obtaining health care in these TPR areas is for the beneficiary to understand the program requirements that includes use of standard providers, and for Health Net to educate the standard beneficiary and provider population on a continuing basis.

Health Net is dedicated to meeting the needs of Reserve Component members and their families. Offering education on important things such as where and how to obtain health care and the first class benefits available under TRICARE is essential to meeting those needs.

Since June 2004, Health Net shared TRICARE Program information with approximately 15,000 Reserve Component members and their families through 149 briefings.

Mr. BAKER. Guard and Reserve medical readiness is critical to the success of the U.S. military. Pending legislation would increase health care spending in 2005 to permanently authorize TRICARE eligibility up to 90 days before Reserve component and Guard members are mobilized. The outcome of this congressional decision will determine when, as a managed care support contractor, Humana Military Healthcare Services (HMHS) may begin administering the TRICARE benefit to these service men and women.

We are committed to providing all of our beneficiaries—Reservists, Guard members, Active Duty and retired service members and eligible family members alike—with the best possible health care and service. Many in this broad population reside in remote areas. The TRICARE Prime Remote (TPR) program was created as a means by which these beneficiaries could access quality health care without traveling extreme distances.

Beneficiaries who live more than 50 miles away from a Military Treatment Facility (MTF) may enroll in TPR and then utilize a civilian network or TRICARE-authorized provider for their medical needs. As we move into the next generation of the TRICARE program, HMHS has committed to providing Prime, or network, access to all of our beneficiaries, regardless of where they live. Our existing provider network, which is in place throughout a large portion of the South region, is very strong, and we are on target to meet our network goals in the western portion of the South region as well.

In the event that a Reserve, Guard or eligible family member is unable to obtain care from a network provider, TPR enables them to utilize TRICARE-authorized providers at the same cost they would incur with a network physician. In order to take advantage of the TPR option, beneficiaries must be educated on it, and we take this responsibility and role as a contractor very seriously. Our outreach and education efforts include periodic Reserve and Guard member briefings and enrollment assistance.

The Defense Department's TRICARE Handbook, which beneficiaries may access on the TRICARE Management Activity's Web site ([www.tricare.osd.mil](http://www.tricare.osd.mil)) or on HMHS' Web site ([www.humana-military.com](http://www.humana-military.com)), is another tool we use to educate this population on the TPR benefit option. Likewise, there is an informational TPR brochure available to beneficiaries online or at TRICARE Service Centers and MTFs.

To further support our Reserve and Guard beneficiaries, we offer provider location assistance via telephone and the Web. Beneficiaries may contact us for assistance at 800-444-5445.

Unfortunately, we cannot address your question about the role of the managed care support contractor in dental readiness as that benefit is administered by Delta Dental.



Dr. SNYDER. The Healthcare Quality Initiatives Review panel recommended comparability of oversight and accountability throughout both the direct care and civilian networks. Could the contractors work with the respective Regional Directors to conduct comprehensive assessments of the contracted network providers and develop a process to ensure comparable standards of quality between the two components?

Mr. WOYS. As a managed care support contractor, Health Net is required to employ specific credentialing standards for its contracted TRICARE provider network and to ultimately achieve accreditation from an independent accreditation organization. The organization Health Net uses is the Utilization Review Accreditation Commission (URAC). The URAC is chartered with reviewing our operations to ensure that we are conducting business in a manner consistent with national standards. The accreditation process is extensive, lasting approximately 18 months from start to finish.

In addition to the accreditation process, Health Net has established a Quality Management (QM) Department that is focused solely on the quality of care provided to our TRICARE beneficiaries. The QM staff monitor provider practices to ensure that they are meeting nationally acceptable standards of practice. Potential clinical quality reviews are triggered from observing referral and utilization patterns and information offered through correspondence and claims.

Health Net and the TRO are steadfast partners in this area. Members of the TRO participate on both our clinical quality committee and our credentialing committee. Brigadier General, USAF, (retired) Dr. Pedro Rivera, Chief Medical Officer for Health Net, chairs these committees and brings with him the vast knowledge gained from his service as a military physician and from his first-hand experience as a member of the Healthcare Quality Initiatives Review panel.

The Department of Defense has established a leading clinician oversight program to monitor, in civilian terms, its employees. We recognize that employing such a program to a commercial network may not be feasible, we believe there are opportunities to learn from our TRO partners and to ensure comparable quality care standards are met in the direct care and civilian care components. Health Net will continue to keep communication and teamwork in this area at the forefront of our efforts in offering the high quality of care TRICARE beneficiaries deserve.

Mr. BAKER. While the field of health care quality is still in its infant stage, Humana Military Healthcare Services' parent company, Humana Inc., has been at the forefront at providing quality data to our customers.

For the last several years Humana has been enhancing its ability to deliver meaningful information about provider and hospital performance to our members to help them make choices about where they get their care. Two kinds of performance information are currently available:

- Data derived from the analysis of administrative data, including claims
- Data reported directly by hospitals or physicians or abstracted from medical records

### **Hospital network performance**

Hospital performance is routinely assessed through the comparative analysis of hospital discharge data. Humana currently uses a comparison method and makes the information available to all members in the form of a hospital performance comparative tool through its web site. Data elements currently include volumes, mortality rates, lengths of stay, and complication rates for nearly 150 clinical conditions and procedures, using standards developed through the HCUP project of the Agency for Healthcare Research and Quality (AHRQ).

Data reported to the Leapfrog Group are also available through the same site. Leapfrog is a consortium of large employer purchasing groups located throughout the United States. The Leapfrog Group collects information from hospitals about select safety practices; the survey is refreshed in May of each year and Humana works with other plans to encourage hospitals to submit the information. Recent revisions have expanded the range of data collected by the Leapfrog Group to include about 70 hospital quality and patient safety measures.

Also soon to be available for hospital comparison is the Hospital Quality Initiative mounted by the American Hospital Association. Hospitals are voluntarily reporting on 10 core hospital measures developed by the Joint Commission on Accreditation of Healthcare Organizations and is currently working with AHRQ on the identification of a standard patient survey (H-CAHPS) that could be used to compare clinically relevant domains of patient experience.

All of these tools can be used to evaluate the comparative performance of hospitals and hospital networks.

### **Physician network performance**

Humana is pioneering the use of episode-based treatment groups to evaluate the relative performance of physicians. Episode-based analysis gives a much more complete picture of physician resource use for specific clinical conditions, since it would include all services used by a patient during an entire episode of illness attributed to the physician. Humana uses the Episode Treatment Grouper (ETG), which is becoming the standard for episode-based analysis of physician performance. This is primarily a look at physician efficiency in resource use for the overall episode of care.

To address issues of clinical effectiveness, Humana is using two different approaches. Using claims data, Humana is working to assess clinician compliance with recommendations of physician-created clinical practice guidelines. Humana will also be piloting a similar claims-driven analysis being developed by the RAND Corporation, based on the research that led to their landmark study in 2003 that brought national attention to the low levels of clinical compliance with practice guidelines.

To supplement this analysis, Humana is relying on special certification programs, developed in association with medical specialty societies, and administered by the National Committee for Quality Assurance (NCQA), that identify physicians, based on a review of a sample of medical records, that demonstrate their compliance with recommended care guidelines. Currently there are certification programs for the treatment of diabetes and heart conditions, and a third for musculoskeletal disorders is under development. A fourth program is being developed in association with an employer-sponsored organization called Bridges to Excellence, of which Humana is a member, that assesses the organizational effectiveness of physician office practices.

The current standard for the evaluation of patient experience in physician offices is the Consumer Assessment of Health Plan Survey (CAHPS), which is currently undergoing revision and testing. As part of its work with Bridges to Excellence, Humana will have access to a short survey of physician office performance developed by Tufts University that will be web-enabled for inexpensive data collection.

We believe that the military health care system could be improved for members of the armed forces, their families and retirees by focusing on paying providers based on the quality of care they provide. Assistant Secretary William Winkenwerder has also stated his intention to move the system in this direction.

Humana Military stands ready to work with the Regional Directors and the Department on quality initiatives. And, while the military health care system may require some unique facets, we would encourage any action by the Department and Congress to mirror and bolster the efforts.

#### QUESTIONS SUBMITTED BY MR. COOPER

Mr. COOPER. Could I ask that we see the HEDIS and ORYX information for each military hospital?

Dr. WINKENWERDER. A major challenge in measuring and monitoring health care in the Military Health System (MHS) is defining measures that relate to a relevant outcome, and that can be systematically applied across the MHS and other healthcare plans. The Health Plan Employer Data and Information Set (HEDIS®) is a standardized set of measures that assesses the performance of managed care organizations that have been established by the National Committee for Quality Assurance (NCQA). ORYX® is a Joint Commission on Accreditation of Healthcare Organizations (JCAHO) initiative that integrates performance measures into the accreditation process. The MHS uses both HEDIS® and ORYX® to benchmark clinical performance against non-military healthcare organizations. The MHS is comparable to commercial health plans, on average, on selected HEDIS® measures. MHS performance on ORYX® core measures are comparable, and in some cases superior in performance to other participating healthcare organizations. Opportunities have been identified for improvement in documentation of tobacco cessation counseling of inpatients with cardio-pulmonary conditions, and discharge instructions for patients with congestive heart failure. Tobacco cessation is a major preventative health focus for the MHS at this time.

[The information referred to can be found in the Appendix on page 824.]



**FISCAL YEAR 2005 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON MILITARY PERSONNEL POLICY, BENEFITS AND COMPENSATION OVERVIEW**

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
TOTAL FORCE SUBCOMMITTEE,  
*Washington, DC, Wednesday, March 24, 2004.*

The Subcommittee met, pursuant to call, at 1:04 p.m., in room 2212 of the Rayburn House Office Building, Hon. John McHugh (chairman of the subcommittee) presiding.

**OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE**

Mr. MCHUGH. Let me call the Subcommittee to order, and to welcome you all, for this at the 958,227th we had this month, I think. But obviously, all of these topics are important, and we are very, very fortunate to have, as we have had in the past, panelists of great distinction, and we appreciate, as always, their insight, their expertise, and most of all, their ability and willingness to be here today.

And today, we are going to hear testimony concerning, really, a wide variety of military personnel programs and policies. This overview of the military personnel world ensures that the Subcommittee stays in touch with the bedrock issues, such as compensation and benefits, which are so vital to the welfare of service members and their families, and to a large extent, dictate whether they remain or they leave military service.

And two of the areas that help us gauge how we are doing on compensation and benefits are found in recruiting and retention, and by most reasonable measures, I think it would be stated that fiscal year 2003 was an—even an excellent year for recruiting and retention, and in some cases, you could say legitimately, a record breaking year. However, if this Subcommittee has learned anything, and certainly, if I have learned anything over the last 10 years, it is that the only thing you can count on in recruiting and retention is that there are cycles. They look natural, and if you hang around long enough, ultimately, the environment will change, and the trends will change.

And as good as the environment may appear today, I personally worry that improvement in the job market and continued stress on the force will yield a hostile recruiting and retention environment in the near future. And the questions we face, therefore, are: are we prepared to recognize that we have a problem early in those cy-

cles, and early in the next cycle; and are we, in turn, prepared to respond with the resources that will undoubtedly be necessary?

I am also concerned about how we are compensating our war fighters. We are at a crossroads on imminent danger pay and family separation allowance. Given that on December 31, 2004 expiration on increased levels for both of these programs is approaching, we need to decide how we are going to proceed on those issues in the future, and we also need to decide what role programs such as high deployment allowance should have during this period of extreme operations tempo.

This Subcommittee and the Congress as a whole are very concerned about how to best structure compensation and benefits for the reserve components. The Congress is acutely aware of the new era of high operations tempo (OPTEMPO) within the reserve forces, and the effect it is having both on the reservists and, of course, equally important, their families. And there is considerable pent-up energy, to put it in a positive way, pent-up energy in the Congress regarding reserve programs, and that has certainly led to a bumper crop of new ideas. And the challenge facing us on this side of the room will be, into the immediate future, how to best choose which of those programs will receive the benefit of what, unfortunately, still remain to be limited resources.

And certainly, in that regard, we will be looking for today's witnesses to help us understand and address those and, I am sure, other issues that the Subcommittee members, and indeed, the panelists themselves, may wish to bring up. As I said, we welcome our panelists here today. I note that, in addition to the written statements that we have for both panels, which I would move without objection to have entered into the record in their entirety, we also have, and I move that the Subcommittee accept, a written statement from the Air Force Sergeants Association which, without objection, will also be entered into the record. And with that, let me yield to my partner, and to the distinguished Ranking Member on the Subcommittee, and a leader on these issues, Dr. Snyder.

[The prepared statement of the Air Force Sergeants Association by Sergeant Lokovic can be found in the Appendix on page 1109.]

[The prepared statement of Mr. McHugh can be found in the Appendix on page 929.]

**STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, RANKING MEMBER, TOTAL FORCE SUBCOMMITTEE**

Dr. SNYDER. Thank you, Mr. Chairman. And Mr. Chairman, I also have a prepared statement that I would like to have entered into the record.

Mr. MCHUGH. Without objection, so ordered.

Dr. SNYDER. And I won't read it, and as is often the case in this Committee, gentlemen, I don't disagree with anything that Mr. McHugh said in his statement, that you all have a big task with a lot of specific issues.

The one thing I would say is, you know, we are here to help you all do your job, and I would hope that if there are any things that didn't make it into your written statement, that you feel it would be helpful to this Committee, the Armed Services Committee, that

are really your advocates, if anything that would be helpful for us to know about, and I hope you will mention it. If there are problems that we ought to know about it, that didn't make it into your written statement, or questions we need to be asking, or some legislation that perhaps we need to think about tinkering with, I hope you will also feel free to add that on during the course of this hearing today. I know that sometimes written statements can be a little bit different than this discussion that we have, so I hope you will let us know what problems and challenges you have out there, so that we can—we are—we want to help you, and help our men and women in uniform.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Snyder can be found in the Appendix on page 930.]

Mr. MCHUGH. I thank the gentleman. And let me—pardon me—let me move to the introduction of our first distinguished panel, all of them no strangers to this Subcommittee, most of them no strangers over the last couple of weeks, because most of them have been here in the recent past, and as I mentioned earlier, we deeply appreciate their continued willingness to join with us and help to sort through these very, very pressing issues.

First of all, let me introduce the Honorable Charles S. Abell, Principal Under Secretary of Defense for Personnel and Readiness, and as I said before, no stranger to this Hill, somewhat of a stranger on this side of the House, but knows Congress well. Mr. Secretary, thanks for being here.

Lieutenant General Franklin Hagenbeck, United States Army, Deputy Chief of Staff, G1, Headquarters, Department of the Army. No stranger to this room, he was here not so long ago, or I should say to this Subcommittee, certainly no stranger to me when he was the Commanding General for the 10th Mountain Division, and as I mentioned at the earlier hearing, the last time I saw Buster, I think we were sharing a cigar at K2. So, it is good to see him in a somewhat more civilized environment. Somewhat more civilized environment.

Vice Admiral Gerald Hoewing, United States Navy, Chief of Naval Personnel and Deputy Chief of Naval Operations for Manpower and Personnel. And we will thank you so much, again, for being here, as you were not so long ago. And Lieutenant—or—skipped one. I don't want to do that.

Lieutenant General Richard "Tex" Brown, Deputy Chief of Staff for Personnel, Headquarters, United States Air Force. General, good to see you again, as always, and thanks for being here again and your continued service, and Lieutenant General Garry L. Parks, Deputy Commandant for Manpower and Reserve Affairs, United States Marine Corps. General—I told the General, just a few moments ago, I have seen him, and his colleagues more recently, more often recently than I have my family.

I should note to you that—and that is not a very high standard, but I should also mention this will be the last opportunity, if his luck holds out, for General Parks to testify before this Subcommittee. I believe he will be retiring shortly. Is that right?

General PARKS. Yes, sir.

Mr. MCHUGH. Can we talk you out of it?



General PARKS. I don't think so, sir.

Mr. MCHUGH. Okay. I won't—out of respect for your service, I won't try to, then, but let me express, on behalf of the entire Congress, and indeed, the entire population of this great country, thank you so much for your service. You have done an outstanding job over many, many years, and we deeply appreciate that, and you go with our thanks and our best wishes for a prosperous future, as you have had such a successful past, in whatever endeavors you choose to pursue.

General PARKS. Thank you, sir.

Mr. MCHUGH. Thank you, sir. And with that, let me go to Secretary Abell. Mr. Secretary, as I said, welcome. We have your written statement, and our attention is yours, sir.

**STATEMENT OF HON. CHARLES S. ABELL, PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE, PERSONNEL AND READINESS**

Secretary ABELL. Thank you, Mr. Chairman, Dr. Snyder. Thank you for the opportunity to testify today on compensation and benefits and military personnel programs. I also want to thank this Subcommittee for exercising strong advocacy and support for—on these important benefits and programs.

To begin with this afternoon, I commend the brave men and women in uniform who are defending our nation at home and abroad, and the Department of Defense civilians and contractors who support them. As you know, Mr. Chairman, I recently returned from Iraq, Kuwait, and Bahrain, where I found great soldiers, sailors, airmen, Marines, and Coastguardsmen performing their duties with professionalism and enthusiasm. I was heartened to see selfless activity throughout the theater, as units who have been serving in dangerous and austere conditions for a year are preparing to turn over to replacement units.

Everywhere we went, units are working hard to leave the bases and facilities better than they found them for the incoming units. All of these troops realized that they would not benefit from their hard work, but they were determined to make the quality of life for those that follow them better than that that they experienced. The selfless service, Mr. Chairman, of the members of our armed forces make me proud every day. I saw these military personnel on watch, on patrol, and enjoying bustling exchange outlets and MWR programs.

Over the past year, I have visited many of the installations from which our troops deployed, where guard and reserve members mobilized, and where families anxiously await their return. In every location, I found the quality of life and community support programs that were responding to the special needs that accompany the Global War on Terror. There have been and will continue to be challenges to be met to support the frontlines as well as the home front.

At the same time, the compensation, benefit, personnel policies, and quality of life programs are positioning to change with transformation, with the global posture review, with Base Realignment and Closure (BRAC) 2005, and with the Global War on Terror, and I am confident that we are up to that task.



The Department is committed to providing the best and most effective suite of compensation and benefits to our force. We are in a competitive business, in which we compete in recruiting the best and the brightest young men and women to serve. We also compete with private sector businesses to retain the highly qualified professional leaders that we develop during their service. We must provide our force competitive pay and benefits, good training, excellent, well-maintained equipment, and the personal attention to their family needs that they expect. The non-compensation benefits include world-class health care, commissary and exchange privileges, quality housing, and a safe place to work and relax. The Department is equally committed to the MWR programs, including child care and fitness programs. These form the military community support structure and contribute to mission readiness. Further, we recognize that many of our retirees rely on these same programs.

We thank you for your support for these programs, and for the emergency supplemental funds that have helped us with the personnel programs, family assistance, and morale programs related to the war effort.

Mr. Chairman, I am prepared to address any questions that you may have.

[The prepared statement of Secretary Abell can be found in the Appendix on page 934.]

Mr. MCHUGH. Thank you very much, Mr. Secretary, and I suspect we will have some questions, at the time. I am trying to get back to the order in which I introduced everybody.

Next, we have Lieutenant General Buster Hagenbeck, Franklin Hagenbeck, Deputy Chief of Staff. General.

General HAGENBECK. Thank you, sir.

Mr. MCHUGH. Welcome.

General HAGENBECK. Thank you very much.

Mr. MCHUGH. And we look forward to your comments, sir.

#### **STATEMENT OF LT. GEN. FRANKLIN L. HAGENBECK, U.S. ARMY, DEPUTY CHIEF OF STAFF G1**

General HAGENBECK. Congressman McHugh and Dr. Snyder and distinguished members of the Committee, thank you for the opportunity to appear before you today on behalf of America's Army. The centerpiece of what we do as an army is our soldiers. For these brave men and women, I want to express my sincere gratitude for your continued and committed support. As I speak to you today, the Army has embarked upon the largest movement of troops in our history. We are nearing completion of more than 250,000 soldiers moving in and out of the Iraqi theater, and what will remain constant, however, is more than 300,000 soldiers will continue to be deployed to more than 120 countries in the near future. We are fully engaged across the full spectrum of the globe and we remain committed to fighting and winning the war on terrorism.

To continue this war, we must recruit and maintain a quality force, soldiers who have a warrior ethos ingrained in their character. Last year, the active and reserve met their recruiting goals, and the National Guard met their end strength. Recruiting incentives such as the Enlistment Bonus Program, the Army College

Fund Program, Loan Repayment Program, and the National Call to Service, have successfully enabled the Army to execute precision in recruiting. Also in the previous year, the Army achieved all retention goals, a result that can be directly attributed to the Army's Selective Reenlistment Bonus Program.

We anticipate retention increasing this month and in April, as Operation Iraqi Freedom and Operation Enduring Freedom units transition and soldiers take advantage of the present duty assignment Selective Reenlistment Bonus in theater. In recent years, Congress has supported compensation and much-needed entitlement programs. Congressionally mandated increases and imminent danger pay, family separation pay, and targeted pay raises are the foundation of soldier well-being. With your support, we have undertaken a number of initiatives to provide special compensation for our soldiers who serve their country under hazardous conditions.

And finally, as you know, the Army is transforming through its rebalancing, stabilization, and conversion, with the goal of temporarily increasing end strength by 30,000 soldiers. Although we have been very successful in the last few years in recruiting and maintaining quality soldiers, to achieve the required temporary increase, the Army will continue to need broad incentive packages to shape the force.

Our country continues to face unparalleled challenge at this time in our Army, our sons and daughters, have an unwavering commitment to meet that challenge. I am proud of our soldiers and their selfless service, and we will continue to need your support as we focus on the protracted Global War on Terrorism while fulfilling the manpower needs of the Army.

Once again, thank you for the opportunity to appear before you today, and I look forward to answering your questions.

[The prepared statement of General Hagenbeck can be found in the Appendix on page 965.]

Mr. MCHUGH. Thank you very much, General. Next, Vice Admiral Gerald Hoewing. Admiral, there are you.

Admiral HOEWING. Thank you, Mr. Chairman.

Mr. MCHUGH. Thank you for being here.

**STATEMENT OF VICE ADM. GERALD L. HOEWING, U.S. NAVY,  
CHIEF OF NAVAL PERSONNEL AND DEPUTY CHIEF OF  
NAVAL OPERATIONS FOR MANPOWER AND PERSONNEL**

Admiral HOEWING. Dr. Snyder and distinguished members of the Subcommittee, thanks for the opportunity to be here today.

When I was here a couple weeks ago, I talked about the unprecedented success that the Navy has had in our manpower and personnel readiness programs. I told you that our retention was at record level of highs, our attrition was at all time lows, and that we continually strive to recruit the best and the brightest that the Nation has to offer.

Our sailors are proud to serve their country in this time of war, and we are certainly proud of them. We are doing everything we can to reward that service and sacrifice, through innovative growth and development programs, through meaningful work, and maintaining a high quality of service for our sailors.

I would be remiss if I didn't also recognize the significant role that you all have played in securing this level of readiness through your support of the many very important compensation and benefit incentives. Everything from pay raises to housing allowance increases to targeted skill incentives you have allowed us to pursue over the last several years, have made a huge difference in our ability to recruit and retain the best that our nation has, and to take care of their families.

But these financial benefits and incentives have done much more than just improve retention and quality of life; they have been critical tools in our effort to shape the force around our troop requirement need. Take the Assignment Incentive Pay pilot program that you authorized last year. Because of these innovative, out of the box, market-based incentive program, our Navy has been able to attract hundreds of sailors into those types of jobs where we need them the most in order to meet our readiness requirements.

Aviation Continuation Pay, Nuclear Officer Incentive Pays, and other incentives such as these have had enormous impact on our ability to keep those officers that are not only highly skilled and highly required within our service, but they are also very sought after out there in the civilian sector.

We have refined the bonuses this year to improve manning, with very discrete skill sets. Using the force shaping tools, we have applied very narrowly in our recruiting efforts and our retention efforts, in order to make sure that we are retaining exactly those skill sets that we need, and I would say that those Selective Reenlistment Bonus (SRB) programs is probably our most effective, certainly our most effective program.

And in the future, as we shape the force even further, types of tools like these are going to be even more important. And we may need the requirement for additional force shaping authorities as we look forward to the future when some of those market-based challenges will continue to grow.

Again, thank you, Mr. Chairman, for the chance to be here, and thank you for the extraordinary support that you and the Committee have provided to our Navy and our Navy families, and I look forward to your questions.

[The prepared statement of Admiral Hoewing can be found in the Appendix on page 974.]

Mr. MCHUGH. Thank you very much, Admiral. I appreciate it, and I appreciate, as I have said, your service. Next, Lieutenant General Richard "Tex" Brown, Deputy Chief of Staff for Personnel. General, thank you for being here.

**STATEMENT OF LT. GEN. RICHARD E. "TEX" BROWN III, U.S. AIR FORCE, DEPUTY CHIEF OF STAFF FOR PERSONNEL**

General BROWN. Chairman McHugh, Dr. Snyder, and distinguished member of the Committee, thank you for the opportunity to talk with you today.

In previous testimony, I had the opportunity to tell you about our great Air Force, and thank you for the tremendous support that you have given to our people. So, I will keep this short. Today, our Air Force is meeting the many challenges facing us, from our efforts to shape and develop the force, to addressing criminal behav-



ior and the effects it has on morale, good order, and discipline, and esprit de corps.

Using the Air Expeditionary Force (AEF) construct as a framework, we continue to mold our force into one that responds faster, with greater flexibility, and more precision than any other in the world. This incredible team of men and women continues to work together to ensure our Air Force remains the greatest air force in the world, and again, we appreciate all this Committee and Congress have done to provide the opportunities to succeed.

I look forward to your questions.

[The prepared statement of General Brown can be found in the Appendix on page 1008.]

Mr. MCHUGH. Well, you are a man of your word. That was short. Thank you, sir. Next, and the about to retire member of our distinguished panel, Deputy Commandant for Manpower and Reserve Affairs in the United States Marine Corps, Lieutenant General Garry Parks.

General Parks, thanks for being here, and in all sincerity, and at the risk of repeating myself, best wishes for a prosperous and happy future.

**STATEMENT OF LT. GEN. GARRY L. PARKS, U.S. MARINE CORPS, DEPUTY COMMANDANT FOR MANPOWER AND RESERVE AFFAIRS**

General PARKS. Thank you very much, Mr. Chairman, Congressman Snyder, distinguished members of the Subcommittee, it is my pleasure to again appear before you today, during which we will examine a wide range of policy, benefits, and compensation issues.

As a backdrop to this testimony, I affirm that the President's budget continues to raise the basic pay and reduce out of pocket expenses for our dedicated Marines and their patriotic families, and additionally, the President's budget provides valuable funding for our recruiting and retention programs, which as alluded to earlier, are foundational in today's challenging personnel environment.

I would just like to highlight a few relevant issues. Due to the hard work of our recruiters and our Marine leaders, the Corps is once again poised to exceed our recruiting and retention goals, on pace for a ninth consecutive year of achieving our recruiting mission. Concurrent with a contingent totaling some 1,400 Marines currently in Haiti, 25,000 plus Marines and sailors are recently deployed to Operation Iraqi Freedom II.

Our reserve units and individual mobilization augmentees have rapidly integrated with our active force, demonstrating the effectiveness of our Marine Corps' total force team. In support of the Global War on Terrorism, the Corps has approximately 4,500 reserve unit Marines mobilized, and another 1,300 individual volunteers are filling important joint and internal billets.

Our Marines are working hard. While they are stretched, they are doing what they trained to do. We are watching our recruiting and our retention numbers, and other key indicators more closely than I have ever seen in the past. To date, they remain strong. The Corps continues to consider ways to best utilize your Marines, and is reviewing our active and reserve component structure in order to rebalance the Marine Corps to meet future challenges.



As evident in recent testimony, interest concerning sexual assaults is high, and appropriately so. Eliminating sexual assault is a leadership issue, and one that Marine leaders will confront directly.

Finally, we are proud of our deployment support programs for our Marines and their families, especially our Marine Corps Community Services One Source Program, that we have been fortunate to pilot for the Department of Defense.

Again, the Marine Corps expresses its support to what this Subcommittee, and for that matter, the entire Congress does on behalf of our dedicated men and women and their wonderful families, and I look forward to answering your questions.

[The prepared statement of General Parks can be found in the Appendix on page 989.]

Mr. MCHUGH. Thank you very much, General. Let me start off with—it is really a point of curiosity on my part, and I hope it can be answered relatively quickly by Secretary Abell. General Parks mentioned the effort to continue to increase the compensation levels for the men and women in uniform. That has been an objective, and it began, from my experience, back under Secretary Cohen and President Clinton, and it has continued, and that is a good thing.

We have a multi-year program underway where we take CPI plus half a percent, and—trying to close that gap. But just as a point of reference, when the RAND Corporation did the ninth—I think it—Ninth Quadrennial Review of Military Compensation (QRMC), they determined that the target point for measuring the difference between civilian and military 70th percentile, and if you want to take that for the record, I am—it is kind of an inside baseball question.

But I am just curious, why 70 percentile?

Secretary ABELL. Well, Mr. Chairman, we discussed that a lot, as we reviewed the work of the Ninth QMRC, and it is not—there is not a lot of science there. What it is is a realization that the folks that we recruit, and those that we have, and want to retain, are a little—we are a little like Lake Wobegon. Everybody is above average, so we were trying to find what is a good place to be, and we settled on 70th percentile, and there is not a lot more science than that, except that we—as we looked at those cells that were at 70 or approaching 70, we could see the behaviors that we were looking for. We were attractive to those who weren't in, and we were attractive to those who were in to stay, and so, it is no more scientific than that.

Mr. MCHUGH. From your observation, it seems to work.

Secretary ABELL. Yes, sir.

Mr. MCHUGH. Well, it is fair. I just was curious how it happened. Speaking of Lake Wobegon, my—everybody was above average, you are right. My dad always had a problem with averages. He said you know, John, if you have got two one-legged farmers walking their cow to market, on average everybody has got two legs. I worry about the recruiting and the retention statistics. I mentioned in my opening statement that by standard average measurements, we had a pretty successful year. By standard average measurements, some would argue statistically, with validity, that it was a

record in some areas, a record year. And yet, as I said, I worry, we may have a quick shift in that environment.

But I am wondering, to what extent, and I don't know as there is a quantifiable answer to this, but to what extent does stop loss affect that retention statistic? I think all of the services have some form, some as a unit, some are unit stop losses in the Army, others are broad-based job classification and such, but is it—are we being a little bit Pollyannaish to rely upon our statistics when we have a pretty broad-based stop loss program in place to gauge retention?

Secretary ABELL. Now, Mr. Chairman, I will start off, and then defer to my colleagues at the table.

First of all, I think you will find that they will willingly report that except for the Army, the other services have eliminated their stop loss, effectively eliminated their stop loss, perhaps even processed the last of those who were under stop loss off the rolls.

Mr. McHUGH. May I interrupt?

Secretary ABELL. Sure.

Mr. McHUGH. I think that is true, but that wouldn't be reflected in the statistics we are crowing about right now, because stop loss was in effect when—it is my understanding, it was in effect when those statistics were compiled.

Secretary ABELL. For part of—certainly, for part of the year for—

Mr. McHUGH. It skews it.

Secretary ABELL. Yes, sir. It does—it could—

Mr. McHUGH. What I don't know is, and again, it is not fair of me to ask you a question and then interrupt you, and I apologize, Charlie, but—

Secretary ABELL. No, sir.

Mr. McHUGH. I don't know as there is a hard answer to this. I am just worried we are placing too much optimism in the statistics that are affected by that, but go ahead. I apologize for interrupting.

Secretary ABELL. Well, Mr. Chairman, we worry about recruiting and retention every day. And I—all of us do. And we try to shred that data as many ways as we can to determine whether we are being somehow misled by our own data, and that we can see a trend before it becomes a trend, if you will, looking for the leading indicators that we have got to do something before we get to the crisis.

I am convinced that for the most part, our reports are—reflect ground truth. The—there—I will admit, macro-numbers hide micro-problems, and I think everybody would agree with that, that we have specialties that are more difficult than others. We have shortages in critical specialties out there, and that includes both recruiting and retention. But in the macro sense, we are certainly, as you indicate, looking at historic highs, and with that, sir, I think I would be of better service to let my colleagues talk about their particular service.

Mr. McHUGH. Thank you, Mr. Secretary. Anybody want to add? General Hagenbeck.

General HAGENBECK. Sir, I would be happy to. You are right about the numbers. In excess of 44,000 stop loss soldiers at any given time. Projections into the next fiscal year could be in the vicinity of 31,000. But there are two parts that I would highlight

about that. The primary purpose for stop loss in the future for our Army is a function of the Chief of Staff's initiative for unit stabilization, and what that means, as you well know, as we form up teams that are going back into the theater, we want to keep those teams together from start to finish.

If we continue to do business as we did in the old days, in the Cold War construct, we wouldn't stop loss, but we would have individual replacements flowing in and out of the theater over a given 12 month period, and you would have a very different looking team that would leave the theater.

So, being focused on combat readiness, we thought it prudent to keep these teams together. As we achieve unit stability and force stabilization over the next few years, really through 2007, fiscal year 2007, the need for stop loss ought to completely evaporate. Now, I don't know that that reality will happen. We will probably have some critical skills that we will always have to manage by the each-es, but by and large, stop loss ought not to be as large a factor in the retention equation as it is today.

To answer the second part of the question, does it obscure what is really going on with regard to retention? I think that in some respects, that possibility certainly exists. The conditions today, certainly in our Army, are different than they have ever been before. Retention figures look pretty solid right now, and I would have to rely on the commanders in the field, who are reporting back to us that they are cautiously optimistic that they will reach their 100 percent goals, or objectives, for retention.

In addition to their statements, we have ongoing surveys from the Army Research Institute and RAND to continue to pulse our force to see if we see any of these lights blinking that you have suggested, so that we can address those as needed. And we have begun to do that, and we began with the 3rd Infantry Division just this past week, with some targeted Selective Reenlistment Bonus, and to date, it is very, very positive for us, so echoing Mr. Abell's comments, it is something that we worry about every day, and we try to do something about to influence positively every day.

Mr. McHUGH. Thank you, General. Any of the other Chiefs?

General BROWN. Chairman, I would like to make a short comment about the Air Force and the issue on stop loss.

We—I was in this position in August of 2001, was in the building on 9/11 when we were attacked, and I believe it is true that the Air Force, we were the first to initiate stop loss shortly after 9/11, still in the month of September.

I know we were the most aggressive initially with stop loss. We stopped the entire Air Force. We didn't do it by career, field, or by unit. The entire Air Force was put on stop loss. We had never done that before, and it was a very aggressive step. We didn't know what we didn't know, so until we knew how we were going to respond to the Global War on Terrorism, we thought we better keep everybody in uniform, and then we will sort it out.

So, it was a—not taken lightly. It was a very difficult decision for our Chief and our Secretary. I prompted and pushed that I thought it was the right decision, as DESPER, the Chief of Personnel. We gradually came back off of stop loss over about the next



five, six, seven months, to where we were out of the entire stop loss business about a year later.

Now, I will tell you, we don't even report our retention figures from fiscal year 2002 because of the very issue you have raised. It skews the figures. It is impossible to know what kind of retention you have when you won't let anybody out, and you are still bringing folks in. So we don't even report the fiscal year 2002 figures, because they are immaterial.

Our greatest concern, when we came off of stop loss, was we were going to have an Air Force that responded to let me out of here, I feel like I am in prison, that they—it is no longer my choice. This is a volunteer force, and we were very pleasantly surprised that we did not get an overreaction, and in fact we have—now, we can measure retention in 2003, and now the first six months of 2004, and I feel pretty solid that these are real retention figures, and that they are ones that we can hang a hat on.

We should never get complacent to think okay, we are—this is easy, because this business is not easy. We must continue, with your support, to have those incentives, and those benefits that we need to attract the best of young Americans. But stop loss was a very difficult issue for us, and we are thankfully out of that business for now.

Mr. MCHUGH. Well, let me just state for the record, I understand, certainly, post September 11, the need and efficacy of stop loss. I am not objecting to anything right now, but I certainly don't object to that. And it is a necessary tool at time, unfortunately. I do become a bit concerned when it becomes a longer term resource, after you know those unknowns, and when you utilize stop loss as a way to—and I am not accusing anybody of this right now, but as a way to deny the need for end strength adjustment, so we will take that on at another time, but in fairness, Admiral Hoewing.

Admiral HOEWING. Very quickly, Mr. Chairman, because the Navy used the stop loss very sparingly in very specific skill sets, but two points.

First, we went back and did spot checks using what we call quick polling techniques with those sailors, many of those sailors, that were in fact on stop loss, and were held in position, to see what the impact was on their behavior, and largely, their continuation rates, or their retention behavior, was largely unchanged because of stop loss during the 2001 time frame.

The second piece, to discuss the concept, and you were exactly right. Averages hide everything, the goods and the bads, but what we are working on in the Navy very, very hard right now, are a series of very specific lead and lag indicators of recruiting successes and retention successes, and by—leading indicators are much more difficult. Where we are using these polling techniques, we are using communications with the commanders in the field to get those lead indicators as to whether or not the tone of the force changes. We are so proud of our tone right now, we believe that is going to be the best leading indicator. The lagging indicator, then, are the statistics that follow, very specifically measured against the various skill sets.

Mr. MCHUGH. Well, I am glad to hear that, and you are absolutely right. Leading indicators are a heck of a lot harder to estab-



lish and to measure, but they are critical, and it is both on the recruiting and the retention side, and I will pursue that later.

General PARKS, I don't know if you want to make any comments.

General PARKS. I will add, sir—

Mr. McHUGH. You are leaving, so obviously, you are not in stop loss.

General PARKS. I am indeed not stop loss, sir, and Mr. Abell said, nor is anyone in the Marine Corps today, but we did use it last spring. We used it across the entire Marine Corps. We did it directly for the initial operations into Baghdad, and then ceased it at the end of that, approximately early May.

I would say that, as my colleagues have mentioned, that the aspect of percentages can be deceiving. We are trying to dig into that further. One of the metrics that we are using is matching that percentage against the number of military occupational specialties that are filled, and the numbers that we need.

And at each of the last three years, we have improved in that category, so much so that we established another program to ensure that we had continuation rates for our second term individuals, we needed to put some focus on. We have established a new program. That program currently is 15 percent ahead of last year in its success. So we remain optimistic, and yet, at the same point, we see some things that we are watching very closely, that we are trying to track on, and yet at this point, some Military Occupational Specialty (MOS) are up, others are down, and we don't have a vector that tells us anything statistically significant at this point.

Mr. McHUGH. I want to thank you all very much. My colleague has been very patient, and I will yield to Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman. I guess I want to go back to my introductory comments. I need you to—each of you to give us—starting with you, Mr. Secretary, if you would, the what keeps me awake at night list. I mean, if it keeps you awake at night, then it ought to keep us awake at night. I mean, what things do we as a nation and as a military, as a Congress, need to be focused on, that we think needs some work. It may not be going the direction we want. Need some statutory change, needs more money, is got—working fine in the short run, not so good in the long run. I mean, would you all respond to that question for me, please?

Secretary ABELL. Yes, sir. The things that I worry about every day, or think about at night. I am—was absolutely literal when I said I worry about recruiting and retention every day. And my staff listens to me ask them every time they bring me a policy, how does this affect recruiting and retention?

I worry about the suite of compensation and benefits that come, and I worry from the perspective that you and your colleagues are very generous to our folks, and in most cases, our folks deserve everything that you give them. However, I do get worried that it is possible to create a force that is too expensive for the nation, especially when it comes to programs that are essentially deferred compensation, or where the benefits accrue only to those who no longer serve. I worry about the cost of that, and what that does to our labor costs within the Department of Defense.

And the third thing I worry about every day, sir, is the implementation of the National Security Personnel system that you and

others worked so hard on for us last year, that we get to implement that in a way that meets the goals that we all agreed on, and keeps our workforce with us and supporting us. And those are the three things that I worry about every day.

Dr. SNYDER. You can go ahead in line, if you would.

General BROWN. Okay. Yes, sir. Mr. Abell has touched on one that clearly, we all, and that is recruiter intention, and we cannot let that be forgotten. We keep it to the forefront. I think we—I know I can speak for all of us, we—that stays probably first and foremost, for—as the Chiefs of Personnel.

Another one that comes to mind right away for me is ops tempo. And it is not for the entire Air Force. I am not going to pretend to tell you the whole Air Force is on extremely high ops tempo, but we have specific career fields, and we have gotten certain groups of people that we are putting great demands on, and so, as the Chief of Personnel, one of the things that keeps me awake is we are about, you know, I need to get on with trying to do this faster, shaping our Air Force, and trying to redistribute some of the uniforms, some of the personnel within the Air Force into those career fields that have the very high ops tempo.

So, I am going to—we are looking to move some people out of the career fields that are less strenuous, or possibly can be reevaluated for Mil/Civ conversion, possibly outsourcing, and then take those uniforms and those people into those career fields where the tempo is very high right now, and probably will be for the foreseeable future, as long as we have this enemy that brings us into the Global War on Terrorism.

That is probably the one area that keeps me awake.

General HAGENBECK. Sir, I want to echo those remarks. I think what I spend my time worrying about is getting it right, when we talk about manning the force. It is for today and for the future, and recognizing that is not necessarily a one for one when you talk about putting somebody in uniform, the compensation associated with them while they serve, and then when they leave our service.

Somebody described it to me before as a spider web that is up in the corner of a room. It is three dimensional, and as you try to get it right, you are cutting and pasting up there, just because you cut one seam on that web, it may have second, third order effects that you may not see immediately, and so there are those kinds of permutations that concern me when we—and I try to work around those edges as best that we can, that we don't be shortsighted in trying to solve today's problem that may cause us more problems or greater problems in the future.

Dr. SNYDER. On the other hand, the—and I know you all know this, you don't want to be so stuck in inertia that nothing ever changes.

General HAGENBECK. Absolutely.

Dr. SNYDER. Because we have been there before, too.

General HAGENBECK. Yes, sir.

Dr. SNYDER. Admiral.

Admiral HOEWING. Thank you, sir. I had mentioned leading indicators a few minutes ago. I am worried that we got the right leading indicators, that it does sneak up on us, and therefore, I worry also about having the flexibility with incentives soon enough to be

able to make sure that we can counter what could become a trend in one direction. Let us say enlistment bonuses or retention bonuses in specific areas. I worry that we don't have enough flexibility to increase those bonuses as the market requires, and I would also say from a personal perspective, as we do major transformation, with that comes cultural change. Communicating to the force about the extents of—the extensiveness of the transformation that goes on, I worry about that, also, because we need to make sure that our leaders and those sailors that are working for them fully understand that are communicating all of those things that are necessary to help them shape that culture of the future.

General PARKS. Sir, I would only add what—one aspect of which is really a restatement of what my colleagues have said, and some of the things that they have said as well, but it goes back to the heart of the Chairman's question, and that is you have asked for my advice. I have—as has been mentioned as well, I am leaving the Marine Corps this year to retire, and I just want to make sure I give you the best advice.

We are weighing a lot of factors here. We are working really hard to tell you what is right to reflect in the mirror to make sure we have got it right. That is the piece that keeps me awake. Are we calling it right? Are the commitments going to overburden us, versus the end strength, the challenges, and the burdens that we have? We work real hard to try to make sure we have provided the right insight into that.

Dr. SNYDER. General Parks, you were with the First Recon in Vietnam, weren't you?

General PARKS. I was, yes, sir.

Dr. SNYDER. Were you one of those guys that rode around at the—underneath the helicopter, sitting on a ladder?

General PARKS. Unfortunately, I was. Yes, sir.

Dr. SNYDER. Do you foresee that is going to help you in any kind of—in retirement?

General PARKS. It—only the fact that I held on real tight.

Dr. SNYDER. It scared the hell out of me just to watch. I wanted to ask Mr. Secretary, with regard to the Selective Reenlistment Bonus Program, Government Accountability Office (GAO) had a—some recommendations in the study, I don't remember what the time frame was, but—that dealt with—they suggested an annual review, some consistent procedures and metrics so that it could be reviewed. Would you just respond to how do you—have you all made some changes in response to GAO, or rejected them, or what—give us an update on that, if you would.

Secretary ABELL. Happy to, sir. We have established the reviews. We have developed metrics that, in conjunction with my colleagues here at the table, we are codifying those in the Department of Defense regulation, and I believe one of the other findings of the General Accounting Office was that at the Office of the Secretary of Defense (OSD) level, we didn't have in place a document that demonstrated that we were providing oversight, and we are developing staffing right now to Department of Defense instruction, which is a regulation, that establishes the procedures that were already in place, that shows that we are monitoring it.



That is close to being done. My staff would tell you, if they were here, that I am the cause of the delay, because they have brought it to me a couple of times, and I have sent it back to say where is this piece, where is that piece, but they have been working diligently since the GAO report came out.

So, I would tell you that we have the things in place, and the part we are doing now is the regulatory codification of those.

Dr. SNYDER. Is your routine to let the Committee know when you reach that conclusion, when you—or will you—were you planning on doing that, or—is there a process for doing that, or—

Secretary ABELL. You know, sir, I don't know, but we certainly will.

Dr. SNYDER. You would.

Secretary ABELL. Yes, sir.

Dr. SNYDER. That would be great. And you mentioned the conversion from military to civilian. The position you are in now, is there upfront cost associated with that, because you are going to create some civilian positions, and take your military people, and put them into places where you think you need them more? But where is the money coming from? Is that coming out of someone's hide now?

Secretary ABELL. Yes, sir.

Dr. SNYDER. How is—I don't know who to ask. I mean, somebody is—must not be very excited about where that money is coming from.

Secretary ABELL. I will certainly let my colleagues talk about their service-specific areas, but as you know, within the Department of Defense, there is no free money. There is no new money, so when a decision is made to do something like this, that has a cost that was not previously budgeted, then we have to find the resources within our budgets, and that, in this case, means within the service budgets, and that is what the program budget decision directed the Service Chiefs and Secretaries to do.

Dr. SNYDER. We have had this ongoing discussion, you know, Mr. Secretary, but it seems like that is something that could have been budgeted for, that if you are going to make these conversions, you are establishing new civilian positions, we don't expect those to be a surge or for three months or six months, or only as emergency, we expect those to be ongoing costs. I would assume that you are creating only positions you think you are going to need for some period of time. Why wouldn't—why wasn't that made as part of President's budget?

Secretary ABELL. In the 2005 budget, which you have before you, it certainly is budgeted.

Dr. SNYDER. Some of it is, okay.

Secretary ABELL. But in fairness now, sir, the service folks—

Dr. SNYDER. It just takes a year to catch up. Is that what we are saying?

Secretary ABELL. Well, the service folks would say that even though there is money in the 2005 budget, they already thought they were going to do something else with that money.

Dr. SNYDER. I see.

Secretary ABELL. So, even in an 2005, or even if we look forward to 2006, they already have all the money accounted for, and then



we say this is a program that is important. The Service Secretaries agree, and then, that means that somebody has got to go in and shift that money around, so it is a matter of perspective, I guess. We—at OSD level, we are going to say this is funded. The services are going to say we didn't get any money to do this. We are both going to be right.

Dr. SNYDER. I understand. One last question, if I might, Mr. Chairman, is on child care.

Secretary ABELL. Yes, sir.

Dr. SNYDER. Ops tempo, was mentioned, I think, by General Brown most eloquently, but longer hours means need for more child care, more people deployed, I think means more, if you have one parent that goes, more need for child care. And yet, I think the Administration budget has essentially been a flat line with regard to child care. I mean, where are we at with child care funding?

Secretary ABELL. Yes, sir. It—the budget for child care went up 50 million from 2004 to 2005, which is essentially a flat line. It is a modest increase, I grant. There was also money, another 21 million, in the supplement, supplemental, which went to child care as a direct cost of the longer hours and the increased op tempo, but that doesn't meet our needs fully. We recognize that. We are working, very aggressively, an initiative to try and leverage off-base facilities, if we can subsidize the availability of child care for our families in off-base facilities, either through direct subsidy, or through some sort of payments in kind. Maybe we could put some of our people in their facilities, increase their capacity. We are working those issues very hard to try and get at this. We are about, by our own reports, 40,000 child care spaces short across the Department, and we think if we can leverage the private sector, we will be able to get that shortage down.

Dr. SNYDER. Thank you, Mr. Chairman. I work better probably with a red light, I think I got carried away. I am sorry.

Mr. McHUGH. Be careful what you pray for. Well, I thank the gentleman, and he didn't get carried away at all. Let me just editorialize here for a minute. I wish Secretary Abell were my high school math teacher. I might be a physicist today. But right, you are right.

I think the Congress—I—well, let me speak for myself. I think there were two misconceptions, either rightly or wrongly, certainly that I had on this civilian and military conversion issue.

The first is that we would see it funded on a one per one basis, and that has not happened, and I think the Administration and the Department would say we have finally put some money into it 2005. I think there is some validity to that. But the other misconception is for every military person we took out of a so-called civilian position, we are going to put another civilian in, and that hasn't been the case at all, so there—

Secretary ABELL. No, sir.

Mr. McHUGH. This is a much different program than many of us perceived it to be, not to—that doesn't necessarily categorize it one way or another, but just to say it is different. And I think it bears watching, because you know, I don't—obviously, we all want to see the military funded at sufficient levels, but I am also not sure we are staffing those former positions to the level necessary to do the

job that is before us. So, for whatever that is worth, I thought I would throw that out there.

With that, well, in essence, a very long-winded way, it is an election year. I am saying I agree with the gentleman fully. Let me yield to the gentlelady from California, Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman. Are we using it?

Secretary ABELL. I am. But you are—

Ms. SANCHEZ. Be nice. Thank you for coming before us today. I actually have a couple questions for Secretary Abell, and I think you are probably anticipating this, because you brought it up in your official testimony.

You said that your office has made—had begun implementing nearly 45 of the 200 recommendations issued by the Domestic Task Force on—the Defense Task Force on Domestic Violence.

Secretary ABELL. That is right.

Ms. SANCHEZ. I am glad that you are making progress, but I have some questions with respect to that. First of all, do you have adequate funding to implement the program? And if not, can you provide an estimate of the financial shortfall? Second, what are you doing to ensure that the recommendations are being implemented in a uniform fashion across all the services? And how do you intend to provide oversight for that? What are you doing to get out the information on the domestic—that domestic violence will not be tolerated? I—you know, I have been—obviously talking to members of the Task Force continuously, and I think it would be beneficial for the Department of Defense to hold a series of stop sexual violence against women in the military conferences, for installation officers, for commanding officers, for Judge Advocate General (JAG) officers, in order to drive the point home that this is serious business and we really mean this, not just send out a packet of information, which is probably what you are about to tell me that you have been doing so far.

How do you feel about holding that type of a conference, and how are you making sure that this is a priority within the armed forces?

Secretary ABELL. I—let me start backwards, if I will. If you would. The conference, absolutely. We actually have a conference, a worldwide conference, planned in June, to do exactly as you say, to bring folks in from our installations and our commands all over the world, to talk about just this issue, to talk about the implementation, to talk about the policies, to get the word out. We ensure our uniform implementation by providing oversight from the departmental level, at the various service levels. We get the word out through passing out papers, through using command information channels, through making it a topic of discussions at various command level staff calls, if you will.

It is—the effort this year. We have an office that works for me, to do—that does every—their day to day duty is to work on implementation of the 200 odd recommendations. Just to update you, from time to time, the statement was written—until today, we are up to 65 now, from 45, so—

Ms. SANCHEZ. Beginning implementation, fully implemented?

Secretary ABELL. These are implemented.

Ms. SANCHEZ. These are—

Secretary ABELL. These are—the policies are done. They are out there. They are beginning to be implemented. Big department, as you know. And the funding, that office has a budget of \$10 million. We believe that to be adequate. We have no reason, at this point, to believe that it will come up short, and if it does, we will go to our colleagues in the Comptroller and seek a reprogramming to make sure that it has enough money. But we are—right now, we have no indications that that is an inadequate budget.

Ms. SANCHEZ. So—you mentioned, you said that it—part of the oversight was to send people out.

Secretary ABELL. Yes.

Ms. SANCHEZ. What does that mean? What is—what does that look like? Where do you send them out? How many people do you have doing this for you?

Secretary ABELL. Okay. The office is about—my implementation office is about four. They work with their service colleagues. We leverage each of the services teams on this as well. All the services have conferences, family action conferences, sexual harassment, sexual harassment conferences. We make sure our folks are there, and this is part of the agenda. We—again, using command information and normal chain of command activities, staff calls, commander calls, if you will, to pass out this information.

Ms. SANCHEZ. And this is new since we have received back the information from the Domestic Task Force, or this has just been an ongoing thing?

Secretary ABELL. No. This implementation office was formed as the Task Force concluded.

Ms. SANCHEZ. Okay. Just making sure that it was something, not something that was—

Secretary ABELL. Yes, ma'am. It is post Task Force. As a matter of fact, I just last week signed the papers that would extend that Task Force yet another year. It is an annual thing, and so I just extended it yet another year.

Ms. SANCHEZ. Okay. I would also like you to comment on your approach to tackling sexual assault. I know that Ms. Embrey is charged with ensuring that we have appropriate measures in place to respond to sexual assault, and hopefully we will get her findings shortly.

But I have a few questions that I hope you can answer for me today. I would like you to describe the care that is available to sexual assault victims at combat support hospitals in Iraq. I am particularly interested to know what kind of psychological care is offered. And can you verify that there are trained rape trauma counselors at every combat support hospital now deployed?

Secretary ABELL. Well, okay. As I traveled, I visited every combat support hospital in Iraq while I was there. What I saw were, and I asked these questions is a more general way than you have asked, so I will tell you what I believe, and then I will, for the record, make sure that that is accurate, if that is okay. Yes, there was—there were trained people, and adequate equipment, kits if you will, to do the necessary forensic work for someone who had—who came in reporting a sexual assault.

Ms. SANCHEZ. So you saw rape kits at every—

Secretary ABELL. Yes, ma'am.



Ms. SANCHEZ [continuing]. Combat hospital?

Secretary ABELL. Yes, ma'am.

Ms. SANCHEZ. Psychological?

Secretary ABELL. Yes. There is—there are psychological counselors in the theater, not—I can't tell you that they are in every combat support hospital, but they are in the theater. Now, there may be—they may be in every combat support hospital. I didn't ask that specific question. And I think—was there another question in there?

Ms. SANCHEZ. No, you answered those.

Secretary ABELL. Okay, but I—but let me also get our—get my folks to confirm—

Ms. SANCHEZ. Right.

Secretary ABELL [continuing]. Those things for the record for you.

Ms. SANCHEZ. That would be great. It is my understanding that there is emergency contraceptive available for women in Iraq and Afghanistan in the event of a rape, at the larger combat support hospitals. But I don't think that they are available at the smaller deployed units. Is that an accurate statement?

Secretary ABELL. I didn't ask that question, but I would not challenge that. I would think that was how that would probably be done.

Ms. SANCHEZ. Is it possible to provide emergency contraception at smaller field hospitals?

Secretary ABELL. I—

Ms. SANCHEZ. I mean, what do we have if a woman is forward deployed, and she is at one of these smaller hospitals, and she comes in and she says she was raped, and she thinks, you know, and she is worried about being pregnant?

Secretary ABELL. She would go to a combat support hospital. The problem with the scenario you described is that there is really nothing between the clinic, the unit level aid clinic, if you will, and the combat support hospitals. There are no sort of intermediate hospitals there. So, if the problem presents—any problem, medical problem presents at the unit level, at the clinics, and it is—it exceeds their capacity, then the individual goes to one of the combat support hospitals.

Ms. SANCHEZ. Emergency contraception is a very timely issue, so—you know, you can go back and ask your people.

Secretary ABELL. I will.

[The information referred to can be found in the Appendix beginning on page 1131.]

Dr. GINGREY. Mr. Chairman. Will the gentlelady yield for just a second? Would the gentlelady yield for—

Ms. SANCHEZ. Certainly, Doctor.

Dr. GINGREY [continuing]. A very friendly comment? It is an important point that you bring up, of course, but as an obgyn physician, there is a 72 hour window of opportunity there, and I—

Ms. SANCHEZ. Right.

Dr. GINGREY [continuing]. Just thought I would mention that to you, for emergency contraception.

Ms. SANCHEZ. Right, and that is what—the question I was just going to ask. Within 72—remember, that sometimes the woman doesn't report it necessarily within the first 24 hours, let us say.



I am just saying, if she came to you a day after she was raped at a unit, and said I was raped and I need some emergency contraceptive, is there enough time to get her to the combat hospital where that would be available?

Secretary ABELL. Certainly. They are not in Baghdad—well, there is one in Baghdad, but they are also scattered among the—in the outlying installations, in close proximity to the troop concentrations.

Ms. SANCHEZ. And it would be our policy to get her that, to get her there, to get her that if that is what she wanted?

Secretary ABELL. Yes, ma'am.

Ms. SANCHEZ. Okay. That is what I am trying to find out. Thank you, Doctor. I wasn't—I am aware. It is just that it is a very time sensitive thing, and you know, for a woman to come out and say I have this problem is a very difficult thing. Let me ask you, is abortion offered at combat support hospitals in the event of rape?

Secretary ABELL. My—I will get that for the record, my gut reaction is they are not equipped for that, but I don't know.

[The information referred to can be found in the Appendix beginning on page 1131.]

Ms. SANCHEZ. Okay. All right. I have some other questions, but do we get to keep going, like Mr. Snyder, or—

Dr. SNYDER. Longer time.

Ms. SANCHEZ. Oh, please, Victor. You are crazy.

Mr. MCHUGH. Let us—I want to provide everyone, let us move on, and then we will certainly come back to the gentlelady.

Ms. SANCHEZ. Thank you, Mr. Chairman.

Mr. MCHUGH. Thank you. The Vice Chairman, the gentleman from Oklahoma, Mr. Cole.

Mr. COLE. Thank you very much, Mr. Chairman, and we are glad you are a good chairman, rather than a great physicist, because they are a lot rarer and harder to find. Let me, I am going to ask a couple of questions, if I may, Mr. Secretary. And let me preface with them, because I don't want them to be misunderstood in any way at all. I think very much that great soldiers come from every area, every social class, every demographic group, and all people have the potential, and frankly, the issue of our military, I think really shows that, as we have provided, historically, minorities opportunities to serve, they have become obviously many of our greatest soldiers, as we have become more gender-integrated in the service, that has been a terrific asset for us. I think the more we have expanded opportunities to serve, the more we have gone to look for people, sometimes, from untraditional categories or backgrounds, the better off we have been as a military, so with that as a preface, are there certain, you know, if you were a football coach, I promise you there are pools geographically that you recruit. You know there is a lot of good football players in Texas. There is a high school culture, if you will, that encourages great football in Texas, and believe me, we in Oklahoma know it, because we get about half of them, that we used—our Texas players are usually better than their Texas players every year.

So, given that, what are the pools that you draw off of now, geographically, socially, demographically, and what, if you do ever think and look that way, in terms of how you deploy your recruit-

ing sources, and what are the sorts of things you do, if you are doing them, to think beyond that, into different pools, and different groups, in an effort to reach out and literally provide that opportunity to serve, and meet your needs in terms of quality soldiers?

Secretary ABELL. Now I will, again, start off, and then commend to my colleagues to give you the more direct answers, as they are the ones who deploy those recruiters. From the OSD level, we are not willing to concede one sector of this nation as an area that is not fruitful enough to deserve to have recruiters working every day in that area.

Many studies would indicate to us that we could probably fill our recruiting needs from the southern one third of our nation, across the two coasts, but in the southern third, but like you, we want that cross-section. We think America deserves and wants that cross-section, and so we—these gentlemen send their recruiters in to do tough duty in places where the propensity is not as great as it is, perhaps, in Texas, for instance, but—so from the OSD level, our policy is that we leave no area uncovered, and people work harder in certain sections of the country than maybe they have to in others, but—

Mr. COLE. So does that mean literally, geographically, your forces, your recruiting forces, if you will, are about equally deployed around the country, and—

Secretary ABELL. I think—I wouldn't tell you they are equally deployed, but they are represented everywhere.

Mr. COLE. Okay. Let me—just following on that line for a second, you know, I would assume one of the great predictors of a propensity to serve is a family tradition of service. I mean, you must get, of course, many of your soldiers have seen their parents before them, or members of their family serve, and that is a shrinking pool, as we all know, unfortunately. The other thing that worries me is, and I see this—you mentioned the southern one third, and of course, southerners, and myself being one of them, well, you know, we have this great martial tradition, and all that. I think we have got a whole lot more military facilities than any place else in the world, too. And that makes an enormous difference when you see, and you are surrounded by that culture, if you will, which has so many admirable traits associated with it. Do you ever worry about the BRAC process in terms of literally costing you catchment areas, if you will, of people that have an exposure to military culture and the tradition of service associated with it?

Secretary ABELL. The honest answer, sir, is no, I have never worried about the BRAC process in regard to recruiting. The—as I said, we recruit without regard to where the bases are. The BRAC process is going to recognize our most essential bases, our largest bases, and for all—I know while every community worries, you or I could probably draw up a piece of—on a piece of paper the bases that aren't going to close, put it on—

Mr. COLE. I am not—really not fishing for—

Secretary ABELL. Right.

Mr. COLE [continuing]. That kind of answer. I believe—this is not a backdoor into the BRAC—

Secretary ABELL. No, I understand. I just—but no, I have not worried about that.

Mr. COLE. Okay.

Secretary ABELL. We do worry about influencers. We do worry that more high school counselors are unfamiliar with the military, and we have programs to try and get to those influencers to the football coaches and the basketball coaches, and to the high school counselors. That is one of the reasons we so strongly support the Troops to Teachers Program, where former military people go into the schools as teachers, and become those role models in areas where they may not have a military role model.

Mr. McHUGH. Would the gentleman yield?

Mr. COLE. Yes, I yield to the Chairman.

Mr. McHUGH. I thank the Vice Chairman for yielding. He has raised a very important point, and Mr. Secretary, I think you, if I may, I think you answered the question exactly as you should. Because BRAC should, at its most fundamental level, be a military value exercise, but I think the gentleman from Oklahoma points out some very important realities, and that is there is a reason, when a United States citizen walks down the street and sees someone in uniform, they don't cower in fear, as I have seen them do in other countries.

Not the least of that reason is we currently have a military basing structure, whether by design or by accident, that brings military facilities into every part of this nation. And I respectfully would suggest that it is awfully damn important that that continue to the greatest extent possible, because it is critical to recruitment. And in fact, I felt so strongly about it, I introduced a piece of legislation, an amendment in the National Defense Authorization Act two years ago that, in fact, requires that in the base closing procedure, and this isn't your domain—I am not chastising you, Mr. Secretary—requires that, amongst some other indices we put in there, that there is a distribution of geographical consideration that comes into the BRAC closure process.

There is a couple different reasons for that. One is national security. September 11 told us, it should have taught us that it is good to have the access to military facilities throughout the country. The other is to ensure that the military, be it whatever—whichever branch, is not some foreign, unknown, rarely seen entity in any part of this country. So I just wanted to put that on the record, and the gentleman, as I said, raised a good point, and the Congress is—I am pleased to say, and I think I am being fair in making this assumption, and its resounding support both in the committee level and in the full House level, is of that belief as well. And you don't need to comment on that. That wasn't my intent, but—

Mr. COLE. Thank you, Mr. Chairman.

Mr. McHUGH. I thank the gentleman for bringing it up, and thank him for yielding.

Mr. COLE. I thank you, Mr. Chairman. Let me just continue a couple other things along those lines, just to get responses, or perhaps you can just help me in my thing, because I think this really is a really important question that we face as a society, and there is a lot of good things happening right now. You know, my experience, probably the esteem in which the military is held today is probably higher than any time since the Vietnam era, and I think legitimately so. It has actually been one of the good things about



the debate, which is a very legitimate debate, over Iraq, is that I have seen neither side denigrate the military in the course of that. Quite the opposite, they have fallen all over themselves, and again, appropriately so, to express appreciation for the service of people over there, and if we are going to have a debate, it is a political debate as to what we have decided as political leaders to do.

But there is a deep appreciation, I think, on both sides of that debate, for what men and women in uniform have done. As I reflect back on why 18, 19, and 20 year olds make decisions, it is quite often gratification in the best sense of the word, not compensation only. It is the idea of doing something meaningful, and something honorable with their lives, and what is recognized in their communities as a terrific service, something to be appreciated and praised.

As you think through, you know, how you recruit, and obviously, you have to deploy most of your resources and efforts to get that person that you are after, in terms of skills and background and what have you, but you know, what do you—do you also spend some time when—you have some excellent public relations (PR). I mean, you have excellent commercials, excellent—in terms of, you know, expanding that appreciation. I think it makes a big difference. And unfortunately, I tend to see a little bit more of this directed—I would argue we ought to be spending a little bit more money, a little bit more effort, aimed at—in communities that are relatively affluent, where I think their kids are more likely to be headed off to college or whatever, that they have the same exposure. Sometimes, you know, we talk about gosh, if we lose them at high school or something like that, they go on to college. I recognize the percentage of—your percentage of chance of getting them goes down a little bit. At the same time, building that sense of service and opportunity among different groups of—frankly sometimes relatively privileged as opposed to disadvantaged groups might be a good thing to do.

Secretary ABELL. I am—yes, sir. We do that. Well, there is a division of effort, if you will. At the OSD level, our efforts are, in that regard, are aimed at influencers. At the service level, they are aimed at the recruit, and so those programs that—for which I have direct responsibility, we are after the coaches, the counselors, the mom and dad, the uncle, whomever would be the influencer of the young man or young lady, and then we transition to the service recruiters, who go after the individual young man or young woman, and I think they could probably explain how they do it as—better than I.

Mr. COLE. If you indulge me, I would love to hear.

General BROWN. Congressman Cole, let me start with being a Texas boy who moved to Tulsa and spent most of my high school years at Tulsa Hale, then was recruited back to Texas to play ball. I know exactly what you are talking about.

Mr. COLE. You could be a politician when you leave.

General BROWN. You need to know I am a Texas Christian University graduate, with my master's from the University of Oklahoma. So I sit right on that border. The—it is critical to our Air Force, and I think all the services would say this same statement, that we attract, recruit, and retain Americans from across the entire United States, and Guam, I would add, and Puerto Rico, the



areas that are—that where—our people live. We do not want to just recruit those football players from Texas to come back to Oklahoma. That is not what our business is. Our business is serving the entire nation. So we really want Americans from across the whole nation. It would be easier just to recruit from those very high intensity places where we are congregated, where we are seen and exposed. Those are our highest—easiest recruiting places, but that is not the kind of Air Force we want to have. We want to have one that represents the entire nation, so we probably work harder in places where we are not very well known, where we may not have based nearby, but we work hard there.

We also try to look to the future. What kind of America are we going to have in the future? Not just next year, but 5, 10, 15, 20 years from now. What is the demographic of our nation, and we are concerned today about trying to attract into that demographic kind of environment, so that again, we reflect and look like America, 15, 20, 30 years from now. And as I look back over our history, and where we are today, and where we are trying to go, you see the demographic changes in our force that are reflective of similar demographic changes across the nation.

Mr. COLE. Well, I want to compliment you gentlemen on doing just that, and frankly, thinking that way, and approaching this task in that matter. I just—I think it is absolutely critical in terms of performance today and in the future. Mr. Chairman, I will certainly give up my—I have got a series of questions about the guard, but I will ask them at another time more appropriate.

Thank you for your indulgence.

Mr. McHUGH. Thank you.

Mr. COLE. And thank you gentlemen.

Mr. McHUGH. I thank the Vice Chairman, the distinguished Vice Chairman. The gentleman from Georgia, Mr. Gingrey.

Dr. GINGREY. Thank you, Mr. Chairman. I will—in fact, I will continue just a little bit, of my colleague from Oklahoma's line of questioning, because it has—kind of stimulated me to think about this a little bit, too. And I have said on this Subcommittee before to previous panels, how I wish we literally had a junior Reserve Officer Training Corps (ROTC) program in every high school, in every nook and cranny, not just Oklahoma and Georgia, but everywhere in this country, and so, then, I—based on what—Tom's line of questioning, I am thinking—how hard do we recruit in the private school sector, and are we—is it even allowed, maybe it is common, and I am just not aware of it, that you have ROTC programs in private, nonpublic, non-military focused high schools, and if not, why not? I think that—when I go back to my district, which you know, as an endangered species freshman member, I do every week, looking for some opportunity to do something good and meaningful, and a lot of time, that is visiting with the high schools, and speaking to them, maybe about what we do here on the Committee, the Subcommittee, Total Force, and the fact that we have such a bipartisan group of men and women in the Congress, 61 of us, I believe, that probably all have been to Iraq and seen the boots on the ground, and realize—and the kids love it. They literally—I mean, especially, of course, if it is an ROTC class. They love it. So, I had a line of questions I wanted to ask, but Congressman

Cole, I thought, really brought up such an interesting point and something that I sort of have a passion for, too, so I have switched gears completely, but maybe I could get you all to continue on his line of questioning, and answer that, if you would.

General PARKS. Sir, I will be glad to take that on. I have had several tours in recruiting, and it is an area that is near and dear to my heart. Picking up, in regard to the initial thrust and carrying over to your comment. I think we approach it from the standpoint in regard to the earlier question of one area better than another. What we found is the leadership of who we put in charge, like most anything else in life, makes a huge difference. Next would be the quality of the individual recruiter that you put out there to represent your military, because that young man or woman who looks to that recruiter is typically not saying where will I be a year from now, what will I do 15 years from now? They look at that individual and say I want to be like him or her. I picture myself doing this, and I like what I see. Or I don't.

In regard to the display across the—or the distribution across the country, I know we have looked at it from the standpoint of an internal structuring conference, and said, back to General Brown's comments on where will people be in 10 years, 5 years, one of the things we realized a few years ago was, as we looked at it, the fastest growing city in the Nation was Las Vegas, Nevada, and we didn't have a recruiting station there. We needed to get one there, because of that population shift.

As far as locations, we believe that no area does not have propensity, that the recruiter and the recruiter's leadership create that propensity to enlist, by virtue of their energy. In regard to the family tradition and those kind of things, clearly, we have got a dying population, unfortunately, of wonderful Americans who have given a great deal for our country, and so we have to reach out in order to continue to create that visibility with the influencers. There are a number of things that we are doing, the commercials that were mentioned, the access to different programs. Fort Lauderdale, Florida, has a great—McDonalds sponsored—McDonalds Corporation sponsors the National Salute to the U.S. Military in Fort Lauderdale. That is just a wonderful outreach to address just the kinds of concerns that you raised. As far as the private school aspect, I believe that there is no single way there. It is the networking, the contact, the referral, the access, that the individual in that particular city or town that has that kind of a school opens those doors through his or her contacts in order to get access in there, so that we reach every aspect of the market, if you will, that we can possibly get to.

Admiral HOEWING. A comment, also, sir. There is one area that I would like to highlight, that we in the Navy have really put some emphasis and funding behind this year, and we call it our Strategic Diversity Initiative. Specifically, to where we are expanding the definition far beyond minorities and equal opportunity, into the whole concept of diversity, and have put together four specific projects, one on recruiting, one on retention, one on growth and development and mentoring, and then finally, on communications to our Navy and the nation, in order to go out and literally engage the marketplace in the diverse type nature that it is. We have also

merged our recruiting efforts from active and reserve in the Navy, which now gives us even greater access to the nation, because we have active recruiters in what used to be reserve recruiting stations, so by merging those forces, we have actually expanded our capability, and we are looking for the United States Navy, whether they come into the United States Navy active or reserve, and pool those resources together.

So, it has been a—in fact, I would also add that we have learned a lot of things in the Navy from our friends in the Marine Corps when it comes to recruiting. They do it extremely well, and we are changing many of our business processes to learn some best practices from our colleagues.

Dr. GINGREY. Well, if somebody would comment, again, on the specific questions, I mean, you are speaking to a—generally, and I appreciate that, that is very helpful, but—

General BROWN. Congressman, I will—

Dr. GINGREY [continuing]. Try the specific questions—General Brown, thank you.

General BROWN. Specific—Junior ROTC. Junior ROTC, the high school level ROTC, is truly a citizenship program. It is not a recruiting program. Now, the number of Junior ROTC units, I believe, a year or so ago, was in the neighborhood of 600, and is going up to 900 or 950. It is increasing, because we think it is a tremendous program for our nation, to show the value of good citizenship, of kids who learn some discipline. They put on a uniform and they show self-respect, and every high school that has it talks highly about it, and others want it. So, we are part of helping—all of us are part of helping increase that program, but it is truly a citizenship program for our Nation.

Now, I am not going to tell you we don't get benefits. We do. And we can, we find often folks who will spend—these kids who spend time in the Junior ROTC program then have a propensity to either join one of our services, or to go into the ROTC program at the college level. College level ROTC, which is—those are our programs, and they clearly are recruiting programs, to recruit folks into our Officer Corps, and they are in both public and private institutions across our nation, and there are—they probably make up for the Air Force—half of our officer force comes through our college, university ROTC program.

Dr. GINGREY. And again, my specific question, though, in regard to the Junior ROTC program, and I realize it is not a recruiting program, that it is a citizenship effort, and that is good, and I think ultimately, it certainly can be, is a recruiting program, but is it permitted, that is a very specific question, to have a Junior ROTC program in a private, nonpublic high school?

General BROWN. Sir, I have got to admit I don't know the answer, I don't know if Mr. Abell does—

Dr. GINGREY. If you could—if somebody could—on the panel could—

General BROWN [continuing]. The record—

Dr. GINGREY [continuing]. Get that—answer that specific question—

Secretary ABELL. Sir, I will—

Dr. GINGREY [continuing]. To me, I would appreciate it.



Secretary ABELL. I will take that for the record.

[The information referred to can be found in the Appendix beginning on page 1132.]

Dr. GINGREY. Thank you. Thank you, Mr. Chairman.

Mr. MCHUGH. The gentleman yield?

Dr. GINGREY. Yeah.

Mr. MCHUGH. Gentlemen, in my opening statement, I mentioned we have got some deadlines coming up in December with respect to imminent danger pay (IDP), family separation pay (FSP). That is a subset of the larger debate about what kind of differences do we maintain with respect to the active and the reserve component? Do we need to continue to ensure that there are distinctions, and the way you demonstrate those distinctions are through such things as compensation, reenlistment bonuses, et cetera? And I am just curious, and I guess this, certainly I would be very interested in our military folks' response to how you balance those needs, but I am curious first with Secretary Abell, Mr. Secretary, has the Department, or will the Department take a position with respect to those two particular pays, and the extension of those, and if so, would you like to state that for the record here today?

Secretary ABELL. Mr. Chairman, it—I have anticipated that we would be asked about those two pays, and——

Mr. MCHUGH. A wise anticipation.

Secretary ABELL. So, we have, in fact, thought about a way ahead there, and I think where we are is, in my view, the higher level of imminent danger pay is a sound way of proceeding, and I would not voice any objection to having that continued permanently in that regard. I need to preface this by saying none of these comments have been submitted to nor cleared by the Office of Management and Budget (OMB), but——

Mr. MCHUGH. You are a brave man, Charlie.

Secretary ABELL. On family separation allowance, I am a little less sanguine that that is—that the program at the higher levels accomplishes what, perhaps, was the intent when that was enacted. It provides a higher benefit to the entire force if you are away from home for more than 30 days. If it was the intent to try and compensate those folks who were—who are in the combat zones, or actively engaged in the Global War on Terror in an area where they are receiving imminent danger, it got them, but it also got the rest of the force.

And so, on that one, if that was your intent, you accomplished it. If your intent was to look at the—at a way to adequately compensate the force that was at risk, most at risk, the force that was—the part of the force that was facing the greatest danger, you got them. You got part of them. But it doesn't get the single soldier, sailor, airman, or Marine anything. We are going to ask you, or have asked you, in our legislative proposals this year, to increase the cap on the hazardous duty pay. That would allow us, then, to provide, in a targeted way, to those folks who are at risk, higher levels of compensation than the rest of the force and the fleet might get.

And so, I submit to you that there may be a formula here where the—where we could use the hazardous duty pay to reward both the married and the single who are in those more dangerous areas,



and then that would allow us to adjust the family separation allowance back to a level that is most indicated by where it should be adjusted against the economic factors. Clearly, its old level was not correct. It hadn't been adjusted in years. But if we apply the inflation factors, that number would come to about \$125 a month—vice—the higher level which is going to expire in December.

Mr. MCHUGH. Well, I thank you for that. We haven't seen that proposal yet, so——

Secretary ABELL. Well, what I just described to you wasn't a proposal, but the—except for the hazardous duty pay.

Mr. MCHUGH. Well, that is the——

Secretary ABELL. Understanding.

Mr. MCHUGH. You are right, that is what I——

Secretary ABELL. Yes.

Mr. MCHUGH [continuing]. Was referring to specifically.

Secretary ABELL. Okay.

Mr. MCHUGH. I can tell you didn't run it by OMB, because imminent danger pay, there is no money in the budget request for it, so I suspect while you philosophically support it——

Secretary ABELL. We are in—the budget—for the 2005 request, the higher FSA and the higher IDP are funded through its December 31, 2004 termination, and then, beyond that, what is in our budget is the higher hazardous duty pay that we have requested.

Mr. MCHUGH. Okay. Because that—perhaps I didn't make that clear enough. I was asking with respect to post-December 31.

Secretary ABELL. Right. It is not in there, sir.

Mr. MCHUGH. Okay. Thank you. I don't know if any of our service reps want to respond to that. And by the way, Mr. Secretary, do you want to talk about—it is a philosophical question, and you have already been here a long—all of you have been here a long time, and we have another panel to go, but how do we negotiate the sticky wickets of—understanding the reserve component today is out there and doing great work on a high ops and personnel tempo basis, and yet the philosophical position that there really should be some distinctions between active and reserve, even when they are fighting side by side.

Any suggestions off the top of your head?

Secretary ABELL. Again, sir, at some—probably some personal risk, I don't know. When a reservist is on active duty, his benefits should be the same as the active duty sailor, soldier, airman, Marine that they serve beside. It is when they are not on active duty, when they are in their selected reserve status, that I think there ought to be a difference in the benefits suite, and it ought to be commensurate with the lesser duty that they are performing.

Mr. MCHUGH. How about—and we saw a number of these last year in consideration of the National Defense Authorization Act, and I am absolutely positive we will see more this year, the initiatives to, in essence, hold guard and reservists harmless, if you will, to make up the differences between what they are receiving during those active deployments, and what they would receive in the private sector pay.

Secretary ABELL. Let me just give you my personal view again. I think that the high quality of folks that we recruit, that these gentlemen recruit for both the active and the reserve are well

aware of the pay that they will receive and the benefits that will accrue to them when they serve on active duty. At the same time, the reservists are also well aware of what their compensation package is when they are not on active duty, and that when they are then activated, those few who cry foul, I think, are being a little disingenuous to us. I think they know full well when they serve all those years and months in their reserve status, what the price would be if it is not—if it doesn't fit with their household needs, then that is when some action should be taken.

I may be in the minority view here, but that is my view.

Mr. MCHUGH. General Hagenbeck.

General HAGENBECK. Now, I would just underscore that—if I could, that Army's position is that a soldier, whether reserve or active duty, of a given pay grade, ought to receive the same pay.

Mr. MCHUGH. Let me, then, I appreciate that, and I know General Hagenbeck has been out on the battlefield circumstance in Afghanistan and elsewhere, and I am sure the others of you have experience as well, could you characterize for me the tension that might—and maybe there is none, I don't know—the tension that might result in a battlefield situation where you have got an active guy there earning whatever the table calls for him or her to earn, and a reserve person who, because we have in the goodness of our hearts, and well-intended, have enacted a bridge, that is to pay them additionally, so that they are not losing money back home, would that be a morale problem on the field?

General HAGENBECK. Sir, from my perspective, it absolutely would be. As I said, Army's position is that whatever your rank is, reserve or active duty, you ought to receive the same benefits under those particular conditions.

Mr. MCHUGH. Any others want to comment? Admiral.

Admiral HOEWING. Mr. Chairman, I would just like to add also, I fully agree with my colleagues here, and I would add that for the mobilized reservists, we have had about 22,000 since the 11th of September in the Navy, 99.9 percent of those great Americans have volunteered to do so. They were called and they wanted to do it. So I believe that that is an indication of the types of people that we are bringing in to our active and reserve components, and I believe that they would support the concept that they would be paid the same as their active duty compatriots working right alongside of them.

Mr. MCHUGH. Thank you. General Parks.

General PARKS. I would only add to what you have already heard, but just from another voice, sir, and that is that the key to me is the active duty. Whether that individual is a reserve or a regular component service member, that when they are on active duty, they earn the same entitlements.

Mr. MCHUGH. Everybody is—

General PARKS. Exactly the same, sir.

Mr. MCHUGH. Okay. And let me just for point of clarification, I took a CODEL throughout the European theater, and upstream from Iraq prior, just prior, as it turned out, although we didn't know it at the time, just prior to our actions in Iraq, and exclusively to meet with guard and reserve folks. And we kicked the commanding officers out of the room, and we had some great and

fascinating discussions, but—and I am willing to consider anything, but I never once heard a complaint about that discrepancy in pay. I heard a lot of things about, well, you know, we should have had a little bit more notice to deploy, the—but the major complaint was precisely as you have described it, you know, we just want to be treated the same when we are here, or there, or wherever they are. And in twice in Iraq, once in Afghanistan, I didn't hear that, but they want equitable treatment. These initiatives are out of the goodness of the heart of a lot of Members of Congress, and good people, and maybe they are right. I just wanted to provide you the opportunity to respond to those concerns, and to set out an important part of the record so we can discuss it meaningfully.

But this is not something the troops are generating, the reserve component is generating. It is something that we in Congress, in our immense compassion, are at least discussing. So, with that, thank you, gentlemen, and Dr. Snyder, I know, has some followup questions.

Dr. SNYDER. Thank you, Mr. Chairman. Just a followup here on this issue, because this is one that members do talk a lot about. And I understand the issue that if somebody works two days a month at a job versus the person who works full-time, they ought to be paid for the two days a month of the job, and it works out that way, but we have some, like in foreign languages. I mean, in both the active and reserve forces, we have Farsi speakers, right? Now, don't they—if they have proficiency in a language, they get paid the foreign language bonus, do they not? Even if their job, day in day out, involves nothing involved in Farsi.

Now, that seems to me to be kind of a gray area there, that the person is in the Army Reserves, sitting at home, doing whatever his regular job is, then going for his weekend a month, but is available, at a moment's notice, to go speak Farsi somewhere and be activated, and may have to work at keeping up his Farsi skills, even though that is not part of his regular job in the military. The active person is being paid appropriate for whatever they are doing, if they are a pilot or whatever, but Farsi is not part of their skills, and yet we pay—the amounts are different, even though we expect them both to have their skills current and be proficient 24 hours a day, 7 days a week. Is that a gray area, or am I overstating the—that that is different than the other examples you used?

Secretary ABELL. That is an interesting area, sir, and we just forwarded to you, I just signed out to you a week or so ago, a report on reserve compensation, and in there, we talk about the foreign language proficiency pay. It is, today, classified as a special pay, so it falls into that area where a reservist would not get the full month's worth, if you will, but it—in that report, we also said we were willing to look at that, and perhaps a way ahead on foreign language proficiency pay, is to transition it, it may be subtle and bureaucratic, but transition it from a special pay to a bonus, where it could be paid as you might suggest. But we are looking at foreign language proficiency pay in a larger perspective, to say have we got a right, even for the force at large, because I am not sure that it is—that it, today, is right for even the active force, and so—

Dr. SNYDER. That is a good point.



Secretary ABELL. It is—as we look at foreign language proficiency pay, period, we will look at it from the perspective of both the reserve component and the active component.

Dr. SNYDER. And it is not just a problem with the military, it is a problem throughout the—throughout government. A lot of our agencies don't have the depth or breadth of foreign languages.

Secretary ABELL. That is right.

Dr. SNYDER. I wanted to ask Admiral Hoewing and General Hagenbeck, the Committee's staff heard from folks, I think it was at Walter Reed, that with some of our wounded soldiers, that were interested in, earlier than they received it, were interested in career counseling, in terms of what their options were, even though they were wounded and had some kind of a disability, but what were their opportunities to stay in the military and job changes and so on, and they were frustrated there weren't career counselors out there, and Admiral Hoewing, I know we have a lot of Marines over there now, and you deal with Bethesda. Is that an issue we are addressing? You don't have to go into any detail about it, just—

Admiral HOEWING. I do not believe that is an issue, though it must be, or you wouldn't be asking the question there.

Dr. SNYDER. The reports we received were from Walter Reed, because at that time, they had—Walter Reed had a lot more—

Admiral HOEWING. We have an engagement process for sailors and I am sure the Marines also, that are in the facilities, and in fact, I can even recall one specific situation during the war, when I went to visit these young folks myself, to make sure that they understood what their chain of command was in order to be able to retain on active duty. We have kept many of our injured sailors, both from the Cole and from OIF, and OEF also, in the service, even with lost limbs and things like that, so we engage them on the spot there in the hospital, and they should be engaged at the unit level also.

General HAGENBECK. Sir, from the Army perspective, we recognize that problem along with some others. We have created an agency inside my staff that is the moniker is Disabled Soldiers Support System, that now is funded, and it takes our most severely disabled soldiers from the time that they are hospitalized until they are reintegrated into the community, that stays connected with them from start to finish. So the career counselors will come earlier, and the mentors that we will have in the receiving communities, we expect, will ease that process that they are faced with.

Dr. SNYDER. And Admiral Hoewing, just one detail question. A couple of weeks ago, you testified before another hearing that the—you were down 600 junior officers below your requirements for naval aviation, or for officers—I assume that that number has not improved in the last two weeks, that you are still 600 junior officers short.

Admiral HOEWING. We were talking about the naval aviator area, what we gave you in that statement, and it was not in this statement—

Dr. SNYDER. Right.

Admiral HOEWING [continuing]. Was an aggregate—I am sorry, not an aggregate number of naval aviation, but a reflection of dur-



ing the late 1990's, middle and late 1990's, we drove down the assessments in naval aviation to a point below what we needed to sustain the force, and that created a shortfall of about 600 junior naval aviators. We have some O-4s and above in excess of that requirement, and we ploughed those lieutenant commanders into lieutenant jobs, mostly in production type jobs, in order to balance out the force out there. So that was just a—it has nothing to do with retention. It is, in fact, an underassessment from the mid to late 1990's.

Dr. SNYDER. Thank you. Thank you.

Mr. COLE [presiding]. Thank you very much. Let me—gentleman, I—the opportunity to resume my questioning, so if you don't mind, I will. But not in quite the same vein. Let me ask—another area that interests me a great deal is how we are doing in terms of guard and reserve units, and we have some interesting and somewhat conflicting evidence and even testimony that has come our way.

One, the obvious statement that there is evidence that as people are deployed, they actually enjoy the opportunity to exercise their skill, and that helps with retention. I believe that is probably true, if they are deployed in a war-making capacity or major combat operations, or something that is of comparatively short duration. I am wondering if that is still true. When they are deployed for lengthy periods of times, and peacekeeping, and almost occupation type duty, as opposed to major combat operations.

General HAGENBECK. Sir, I can address that. We have several ongoing surveys and studies that basically show that those soldiers engaged in routine combat operations, their propensity to serve remains very high through 6 to 8 or 9 months. Those that are involved in support operations, or even support of those combat operations, as well as security and assistance and other things in other areas of the world, their propensity to serve does not begin to decrease until the 12 month mark, so we are looking at all those models on what our force rotation scheme out to be over the coming months and, potentially, years, as we look at retention and the combat readiness of all these units.

Mr. COLE. Does that lead you toward the conclusion at all—this morning, in the full Committee, we had testimony that essentially all our forces that are now, I believe, in Bosnia, are all National Guard units, and obviously, that is probably what most of those individuals signed up for, or thought they were signing up for. I mean, again, no question they are happy to do their duty, they have done it just brilliantly, but does this lead you to some conclusions about the size of the force? Can you juggle guard units in that way that you are only hitting 12 months or do we need a larger standing military, particularly the standing Army?

General HAGENBECK. Sir, we need more available forces to rotate, and I think that is exactly what our Chief of Staff is going toward in our basic combat, or brigade combat teams. The Army, as I recall them, are creating more active duty brigades that can get in the deployment scheme, as well as the National Guard numbers as well, and you are very familiar with what that will be. Up to 77 brigades over time. And the increase in those numbers will then allow those lengthy deployments, 6 to 12 months, and longer

dwelling time back in the United States, and the model is that guard and reserve units will have 5 to 6 years between that potential deployment for up to 12 months.

Mr. COLE. I assume you do this, anyway—but just a simple question. And you must do a great deal of market research in your respective endeavors, in terms of recruitment. Do you spend a lot of time surveying or talking to guardsmen, reserve units, about these issues, not just relying on the data that comes up, either retain or not retain, but literally probing a representative sample about what are the things that make you—that got you here, what are the things that keep you here?

General HAGENBECK. The short answer is yes, we do, sir. We do it both before they deploy, when they are in the theater, and longitudinal surveys as well, and in some instances, we don't have enough data to draw hard, firm conclusions yet on—and predict behavior here in the out years, and that is why we are keeping a very close watch on it.

Mr. COLE. Do you do the same things, General, with their families?

General HAGENBECK. Yes, sir. We sure do.

Mr. COLE. Okay. Thank you very much. That is all the questions I have. We will move on to the next panel.

Well, thank you very much, gentlemen. We appreciate your patience, and thank you for your service to your country, and your generosity with your time. If we could, we will move to the next panel. General Parks' last service. Let me—appropriately, you should do the honor.

Dr. SNYDER. We appreciate you, General Parks. We appreciate your years of service. Thank you.

General PARKS. Thank you very much, sir. It has been my honor.

Dr. SNYDER. I am sure we will see you between now and when you leave.

Mr. COLE. Thank you, gentlemen, very much. Distinguished members of the second panel, please make the way to the front. We have your name placards up, so I hope that helps you to find your place. And I would note that in spite of the fact we apparently misspelled his last name on the placard, Colonel Lange found his place. If you will turn it around, you will see what I am talking about, Colonel. Oh, it is—see, we had—we were ready for both.

Colonel LANGE. 50 percent right, sir.

Mr. COLE. But let me welcome you all and thank you for your patience, and with no further ado, let me please introduce the distinguished members of the second panel.

For the record, and in the order in which it is written here. Dr. Harry Thie, who is Senior Management Scientist for the RAND Corporation. Doctor, thank you for being here.

Dr. James Hosek, Senior Economist and Professor of Microeconomic Theory, RAND Corporation. Doctor, welcome.

Mr. Derek B. Stewart is Director of Defense Capabilities and Management of the General Accounting Office. Good to see you again.

Mr. STEWART. Yes, sir, and good to see you.

Mr. COLE. Another one of our stalwart witnesses on this Subcommittee, and we appreciate both his and GAO's continuing support.

Mr. Joseph Barnes, National Executive Secretary of the Fleet Reserve Association. Mr. Barnes, welcome.

Ms. Erin Harding, who is Deputy Director of Legislative Affairs to the Enlisted Association of the National Guard of the United States. Ms. Harding, welcome.

And last, as I opened up with, Colonel Lee Lange, United States Marine Corps, Retired, Deputy Director of Government Relations, Military Officers Association of America.

And again, welcome to you all. As I mentioned just previous to the first panel, we do have all of your written statements in their entirety. They have been entered into the record, so to the extent you find it possible, we would appreciate your summarization of those comments, but we look forward to your observations, to your testimony, and let me start with Dr. Thie.

Dr. THIE. Thank you.

Mr. COLE. Again, welcome, sir.

#### **STATEMENT OF DR. HARRY J. THIE, SENIOR MANAGEMENT SCIENTIST, RAND CORPORATION**

Dr. THIE. Thank you. I would like to thank you and the members of the Subcommittee for the opportunity to be here today. This statement is based on research conducted by myself and three RAND colleagues, Dr. Margaret Harrell, Peter Schirmer, and Kevin Brancato. Dr. Harrell co-led this research effort with me, and our report is publicly available.

Our research focused on the career patterns of general and flag officers in the military services. The concerns motivating this research were that general and flag officer assignments are too short, and that their careers don't last long enough. Emphasis in our study was placed upon addressing these concerns, because rapid turnover in the senior ranks affects organizational effectiveness, individual accountability, and the confidence of junior and mid-level officers in their leaders.

For their part, the military services worry that lengthening the careers of senior officers would clog the system, hampering the promotion flow of more junior officers, and thus affecting retention.

We analyzed various general and flag officer career models based on the distinction between developing and using positions that we gained from assessments of the private sector.

Early executive jobs tend to be developmental and help to build functional skills, organization knowledge, and personal insights, while later jobs tend to have more complex and ambiguous responsibilities that draw on the knowledge and skills developed in earlier ones. Thus, the assignments have different purposes. Some develop skills, while others use skills previously developed. The developing assignments do not need to be as long as the using ones, and private sector management reflects this practice.

The military also is developing and using jobs for its senior officers. Certain jobs are developing jobs, because they appear repeatedly on the resumes of four star officers, those of the highest military rank. Other jobs seldom or never appear on these resumes,



and would be classified by us as using jobs. But for the military, assignment lengths do not vary between the two types of jobs. For example, the average assignment length for two and three star officers is about two years, irrespective of the nature of the position.

Our proposed career model that we analyzed is based upon this developing and using distinction, but we do it in order to maximize both the contribution of senior officers and the developmental opportunities for officers without significantly reducing promotion flow. The detailed service-specific results of our study are discussed in detail in our published report and in the written statement, and I will simply summarize the findings here today, and I will note our findings assume that the total number of general and flag officers stays constant. We do not increase or decrease the number of officers.

Our main finding is that officers can serve considerably longer in using jobs without hampering the promotion flow that is a concern of personnel managers in the military services. A career pattern for general and flag officers in which developing assignments last at least two years and using assignments last four years emerged as best because it met the criteria of maximizing stability and accountability without sacrificing promotion opportunity.

It is also consistent with the attitudes and concerns that senior officers shared with us. Senior officers would serve in assignments longer. Those in using jobs would have more time and grade at retirement, and the most senior officers would have longer careers. Promotions would generally equal or better the current system, except for promotion to O-10, which is cut by about half.

Conversely, though, selectivity for these positions of greatest responsibilities would double. Those rising to the highest level would hold their jobs longer and stay longer. This career model increases stability and accountability, while keeping promotion opportunity. Moreover, organizations will benefit from the stability of leadership tenures equal to or longer than those witnessed today. Individuals will have clearer expectations about their future, and at the apex of their careers, an opportunity to produce a more significant organizational impact.

We believe this management system could be implemented within current legislative constraints, using waivers to age and tenure limits. However, changing or removing the existing constraints would allow more flexible management. Moreover, compensation changes should be considered. Such changes could include uncapping pay at senior levels, continuing the accumulation of retirement benefits, and basing retirement pay on uncapped figures.

Finally, such a changed system will require some flexibility. For example, some officers in using assignments will be promoted, and some officers in developing assignments will serve longer than two years.

In conclusion, we propose a career model with greater stability and accountability, with fewer job rotations and longer service in position for many, with comparable promotion probability, except for the most senior positions, but with greater selectivity for these greater—for these most senior positions.

I thank you for your time, and I look forward to any questions you may have.



[The prepared statement of Dr. Thie can be found in the Appendix on page 1022.]

Mr. MCHUGH. Thank you very much, Dr. Thie. Dr. Hosek.

Dr. HOSEK. Sure, thanks.

There has been a lot of discussion today, all very interesting to all of us, I think, about recruiting, retention, the pressures the forces are under right now.

Mr. MCHUGH. Doctor, may I interrupt you, and I apologize—

Dr. HOSEK. Of course.

Mr. MCHUGH [continuing]. To all of the witnesses. Maybe we could move those mikes. They are not very sensitive to begin with, so—

Dr. HOSEK. Is that better?

Mr. MCHUGH. That is why I lean up here.

Dr. HOSEK. Oh, yeah, yeah.

Mr. MCHUGH. Thank you very much.

# **STATEMENT OF DR. JAMES HOSEK, SENIOR ECONOMIST AND PROFESSOR OF MICROECONOMIC THEORY, RAND CORPORATION**

Dr. HOSEK. Thank you.

For me, the discussion today has really been well-focused and quite interesting in general. The material I am going to present to you falls under two topics. One topic has to do with the relationship between deployment and retention, and the other has to do with the competitiveness of military pay. And I want to start off with two main points.

The first point is that based on an analysis of past data, military personnel, and the active duty force have shown themselves to be extremely resilient to the frequency and duration of deployment. It has had very little effect on their retention, even when they have been deployed multiple times. I will elaborate on that in my comments.

The second thing is that the pay actions that were taken, beginning with NDAA 2000, and the subsequent actions had the very fortunate side effect of establishing a wonderful foundation for this country to be in when the terrible events of 9/11 happened. Those pay actions shored up our personnel system, and we are benefiting from it today. And the lesson I draw from that is the importance of maintaining close vigilance on the competitiveness of pay, which of course has been the discussion of—the point of a number of the discussions so far.

On the deployment, suffice it to say that the data I looked at were from the 1990's, clearly a different environment than today's environment, and I was able to look at two types of deployments, two general types, one involving hostile duty at some point during the deployment, and a second involving long separation of at least 30 days, sometimes extending on to eight or nine months, sometimes a year, but not involving hostile duty at any time in the deployment, so that latter group would have included things like unaccompanied tours, humanitarian and disaster relief, nation building, extensive military exercises.

What we found in looking at the active duty enlisted force is that hostile deployments, one, two, three, had virtually no effect on re-

enlistment. Non-hostile employments actually tended to increase reenlistment. For second term personnel, both hostile and non-hostile deployments were associated with higher levels of reenlistment. Only at the extreme ends, that is people with three or more non-hostile and three or more hostile, was there fairly clear evidence that retention was dropping off, and it was dropping off toward levels that were still higher than the retention rate of personnel who were not deployed.

The impact of deployment on retention for an individual member of the military depends on the specific starting point. What we found is that if an individual had had no deployment, adding, say, just for example, one hostile and one non-hostile deployment always led to an increase in reenlistment. For people who had had one or two hostile deployments, adding one or two non-hostile deployments generally led to an increase in reenlistment.

We found similar patterns among officers, by the way. In relating these findings to the current situation, the key point, I think, is that the retention effects of increased hostile deployments depends on how they are spread across the force. To the extent that the burden of deployment can be shared, the impact, the negative impact, if there is one, will be reduced, to the extent that the deployments are not excessively long, which will vary from service to service, the possible negative impact will be reduced.

We used our results and actually did a policy simulation involving an extensive increase in the number of hostile deployments, and because of this difference in the effect of adding the first versus adding another deployment, we actually found that when these deployments, these hostile deployments, were spread across the force randomly, there was a slight increase, not a decrease, in reenlistment for both first and second term personnel. If that simulation had been accompanied by also adding non-hostile deployments, there is likely to have been a net increase in reenlistment.

While that was—those were projections based on the 1990's situation. Today's situation is different. Earlier, you commented that perhaps we were at a cusp. I think there is good reason to consider the extent to which the current situation is different. I don't have available data to analyze the current situation. I have given you the most up to date analysis I can provide for you, but nonetheless, I do think that because of the high pace of current deployments, and in some cases, the very extensive length of deployments, there is considerable reason to worry, and to hedge against the possible downside that we are using our forces at too high an op tempo, and too high a deployment tempo.

I have, in the past few weeks, with my RAND colleagues, actually been visiting military bases and talking to personnel firsthand. So far, we have talked to Navy personnel, Marine personnel, Air Force personnel. We have not yet had a chance to talk with Army personnel. On net, the picture we get is very much in line with what I told you, although I will add the observation, two observations.

One is that the high pace of operations today stresses everybody, not just the deployed people. We don't collect data, typically, I mean there are some data, but typically, data on a service member's hours of work and surge time are not regularly reported and

tracked. My guess would be that hours are up right now. That is likely to be associated with higher levels of stress for practically everybody. I think that is important to keep in mind.

The other thing that I would mention just in that regard is that many service members do experience difficulties in reunification with their families, and at the same time, on the positive side, the services have gone some distance to develop programs related to reunification activities. My guess, although I haven't based—I don't have an analysis to give you. My guess is that those programs have been highly effective.

Before I leave deployment, I want to offer just a couple of thoughts on why deployment might have so little effect on retention. That is, why are personnel apparently resilient to employment? And I will suggest a set of reasons that are based on actually theoretical model of deployment we have done that are in line with the results.

The first, and probably foremost, is that today's force is entirely a force of volunteers. People select their service, and to a large extent, but not always, they select the occupational area they enter. The second thing is that based on the data, as well as based on the conversations I have been having, most personnel enter the military with a preference for deployment. If they are not deployed, it may be that their expectations for deployment and their preferences simply weren't fulfilled.

The third thing is that when deployment occurs, people typically talk about the meaningfulness of the duty, the opportunity to serve their country, the opportunity to serve with team members that they have trained with, their unit members, and the opportunity to use the many, many hours of training and preparation that was necessary to make them ready in the first place.

Service members tend to have a preference for the predictability of the number and length of deployments, and they also have a preference for communication with family members and family support activities.

Let me shift now, and spend less time on compensation. There, I think the charts I submitted with my written testimony convey the basic message. In a quantitative look at how military compensation compares with civilian compensation, I and my colleagues used a measure of cash military compensation called regular military compensation, basic pay plus basic allowance for subsistence, housing, and the tax advantage that comes with that, and we related that measure to promotion rates, and we developed an out year projection of the RMC earnings profile of typical military members by service, enlisted and officers, and then we used that information to make comparisons with tabulations of civilian wage data based on the current population survey.

This was done for men and women. This was—separately, this was done for different levels of education separately. Probably, the primary comparison group for the active duty enlisted force today are civilian workers, full-time, who have at least some college, and compared with those workers, military pay today lies at about the 70th percentile. That, I think, represents, obviously, a significant increase over the past few years, and we are seeing, I mean, in a sense, one of the best measures of military pay is not just where



the numbers line up in terms of military pay versus civilian pay, but in terms of recruiting and retention outcomes. For officer pay, it actually lies above the 70th percentile.

One of the pay comparisons we did as part of this involved looking at different occupational groups. We had a concern that in the out years, as the force became increasingly reliant on information technology for at least some of their functions, each of the services might face a serious personnel shortfall in information technology personnel. This was true in the mid-1990's, when the Bureau of Labor Statistics forecast that the IT area would be one of the fastest growing occupational areas in the country. Obviously, a lot of the steam went out when we had the dot-com bust. But even today, in new projections, the Bureau of Labor Statistics continues to project IT as a major area of growth, and so from the long-term perspective, it is probably prudent for the military to pay attention to that. What we found is that for IT and—for IT occupations, civilian wages were indeed higher than in non-IT occupations, and therefore, military pay, since it is the same for everybody, with minor exceptions associated with bonuses, was lower, relatively lower, for IT occupations. But what we also found is that even during the tempestuous years of the dot-com bubble, and the period of economic boom, each of the services was able to bring in higher quality recruits in IT, who tended to sign on for somewhat longer terms, and had a significantly lower rate of attrition in their first term of service, and had basically no difference in their rate of reenlistment at the end of the first term. And so we had a paradox, namely, that the IT occupations had relatively lower pay, but their personnel outcomes were better, and we believe a simple resolution of that paradox lies in the fact that the military offers significant training that is valuable and transferable to civilian positions, and that in addition to patriotic motives, a desire to serve, everything I mentioned before, there is also the importance of the experience and training in the military to factor into the equation affecting an individual's decision to enlist or to stay in the military.

There is a concern, perhaps, that most of the training is provided at the front end, and so retention might be lower at the end of the first term. We didn't find that. We think that the reason we didn't find that is that because many personnel find that the service careers offer sufficient opportunity for further career advancement and personal challenge to stay in.

Thank you.

[The prepared statement of Dr. Hosek can be found in the Appendix on page 1036.]

Mr. MCHUGH. Thank you very much. By the way, the Ranking Member and I have both taken our coats off. It is warm in here. You are not going to offend anybody on this side—if any or all of you want to make clothing adjustments, why don't you be within reason, we want you to be comfortable. Mr. Stewart, welcome.

Mr. STEWART. Yes, sir.

Mr. MCHUGH. Good to see you again.

Mr. STEWART. Good to see you, Mr. Chairman.

Mr. MCHUGH. Been a long time, what, a week, two weeks? But thanks for joining us. We look forward to your comments.



**STATEMENT OF DEREK B. STEWART, DIRECTOR OF DEFENSE,  
CAPABILITIES AND MANAGEMENT, GENERAL ACCOUNTING  
OFFICE**

Mr. STEWART. Always a pleasure, and we consider this an opportunity to talk about our work before the Committee. Mr. Ranking Member, Dr. Snyder, we appreciate the opportunity.

When your staff called, we were asked to cover a number of issues, and I worked with my staff to try to theme this, and I don't think we came up with a theme, so I am just going to tell you what we are going to cover here. Compensation for guard and reserve personnel, just very briefly, an issue Dr. Snyder brought up, and I think a very critical one, DOD's Selective Reenlistment Bonus program, SRB program, and our preliminary findings on mail delivery to troops in Iraq. And I will be very, very brief on all of these issues.

As several members of the previous panel said, reservists are entitled to all the pay and benefits of active duty members when they are activated. But it is—the issue is income loss. And recent increases in basic compensation and other actions by Congress will help mitigate that, but in the most recent DOD survey, 40 percent of all reservists reported that they lost income while activated. I submit to you that that is a problem for the Department of Defense, and if we are worried about recruitment and retention, that is an issue that I think DOD should pay close attention to, and I can talk more about that later in a Q&A.

We continue to review the benefits for reserve personnel and they obviously have improved, thanks to many actions by the Congress, notably in the area of health care. One benefit we continue to study is the Reserve Retirement System, and we expect to issue our report on that issue this summer.

Turning to the Selective Reenlist Bonus program, SRBs, we looked at DOD's, the administration of the program. We did not look at the reenlistment bonuses for reservists, but we think our findings are instructive for anything that DOD or the Congress may want to do on the reserve side. And essentially, DOD does not have oversight and is not paying enough attention to the program. Dr. Snyder brought up a very important issue, and that was the instruction that guided the program which DOD canceled in 1995, and as a result of that cancellation, in effect, what happened was it removed all criteria that the services had to follow in order to award bonuses under the program. Consequently, we saw the cost of that program almost double between 1997 and 2002. It went from \$300 million to almost \$800 million, and the services will tell you that there were a number of reasons why the budget went up, but the primary reason that we identified in our work was the lack of uniform criteria across all services that all services had to apply in awarding the bonuses.

One of the—in addition, just to emphasize that point a little bit more, when the criteria was removed, the Air Force, for example, in 2001, awarded bonuses to 80 percent of all of its occupations. Now, this is a Selective Reenlistment Bonus program. It is intended to help the services retain enlisted personnel in critical occupations only, critical skills. So the Air Force has deemed 80 percent of its roughly 200 career fields as being critical fields. We have

our doubts, quite frankly. And we have seen corresponding increases with the other services.

Last, Mr. Chairman, our ongoing work reviewing mail delivery to troops in Iraq. First, I would like to say, DOD handled a lot of mail, 65 million pounds of letters and parcels during 2003. Problems with mail delivery surfaced very early during the war, and continued throughout, included such things as inadequately trained postal personnel, inadequate postal facilities, material handling equipment was in short supply, as well as transportation assets.

Most of these problems were the same ones encountered during the first Gulf War, and I would also note that, last, that DOD does not have a reliable system in place to accurately measure the timeliness of mail. DOD would tell you that their standard is 12 to 18 days for mail delivery, and their data will show that they, in fact, met that timeline.

We examined the data and we determined that the data is flawed and that the system is not reliable. On a positive note, DOD did incorporate one of the lessons learned from Desert Storm, and they hired a private contractor to airlift mail to the region, thus avoiding the competition for military air cargo space. That worked really well.

Our report on this issue is due out next month, and we will be making a number of recommendations to DOD. This concludes my oral statement, and I would be happy to answer questions later.

[The prepared statement of Mr. Stewart can be found in the Appendix on page 1053.]

Mr. McHUGH. Well, thank you very much again, Mr. Stewart, and as I tried to mention before, we deeply appreciate both your personal as well as GAO's attention, not just to this hearing, but so many other matters. It is greatly appreciated.

Next, Mr. Joseph Barnes, National Executive Secretary, Fleet Reserve Association. Welcome, sir. We look forward to your comments.

**STATEMENT OF MASTER CHIEF JOSEPH L. BARNES, U.S. NAVY (RET.), NATIONAL EXECUTIVE SECRETARY, FLEET RESERVE ASSOCIATION**

Mr. BARNES. Mr. Chairman, Dr. Snyder, and other distinguished members of the Subcommittee, thank you for the opportunity to present The Military Coalition's views on key personnel and compensation issues. I extend the Coalition's appreciation for the pay and benefit enhancements enacted in recent years. These improvements are very important and are directly contributing to sustaining adequate retention levels and overall military readiness.

I will summarize several issues addressed in our statement, and my colleagues will address issues from the guard and reserve, retiree and survivor perspectives. The Military Coalition again recommends increasing service end strengths to balance today's demanding operations requirements with the personnel needed to perform these missions. The services need adequate personnel to sustain the war on terrorism and demanding operational commitments, and cannot rely indefinitely on stop loss orders and temporary increases, plus extended guard and reserve activations to fulfill mission requirements.

All service members deserve at least a 3.5 percent pay increase next year, as is called for in current law. The Coalition urges the restoration of full pay comparability on the quickest possible schedule, and rejection of any Administration requests to cap future pay increases for U.S. public health service or National Oceanic and Atmospheric Administration (NOAA) personnel. The Coalition strongly supports the Department of Defense's targeted pay increase plan to align career enlisted service members and warrant officers' pay with earnings in the private sector for those with similar education, experience, and expertise.

We also encourage DOD to provide its vision of an optimal pay table as part of its plan for compensation reform. We thank Congress for extending last year's increases in imminent danger pay and family separation allowance through 2004, and urge that these increases be made permanent. The lack of predictability in today's military life also adds to service member stress, and to help address this, the Coalition supports a high level of family readiness, to include improved education and outreach programs. This also includes increased child care availability, and associated support to assist families left behind during deployments. Family support programs in many places are improving, and new programs, such as the Military One Source are expanding awareness of support resources.

The Coalition strongly supports the plan to eliminate service member's average out of pocket housing expenses in 2005, and gradual adjustments in grade-based housing standards that are more realistic and appropriate for each pay grade. Education benefits are very important, and the Coalition is closely monitoring initiatives that may result in the transfer of DOD domestic schools to local school districts. As noted in recent testimony, the Navy has little, if any problem assigning sailors to installations having DOD schools, but experiences considerable reluctance from those ordered to areas where there are mediocre public schools.

The Coalition also recommends authorizing an Montgomery GI Bill (MGIB) signup window for career service members who declined participation in the Veterans Education Assistance Program, or VEAP. Adjustments are also needed for selected reserve MGIB benefits, which should be restored to the 47 percent level of basic benefits, as intended when the program was established in 1984. Benefits are currently at the 27 percent level. Finally, the Coalition urges continued upgrades in permanent change of station reimbursement allowances to recognize that the government, not the service member, should be responsible for paying these costs.

Again, thank you for the opportunity to present the Coalition's views, and I stand ready to respond to any questions you may have regarding this statement.

[The prepared statement of Mr. Barnes can be found in the Appendix on page 1068.]

Mr. MCHUGH. Thank you very much, Mr. Barnes. Again, I—we all appreciate your efforts here today, and your work through the Fleet Reserve Association. Next, we have Ms. Erin Harting, Deputy Director of Legislative Affairs, the Enlisted Association of the National Guard of the United States. Welcome.



**STATEMENT OF ERIN M. HARTING, CO-CHAIRMAN, GUARD  
AND RESERVE COMMITTEE**

Ms. HARTING. Thank you, Mr. Chairman, members of the Committee. I thank you for giving me the opportunity to present the views of the guard and reserve Committee of The Military Coalition.

Since the 1990's, we have seen an increased and almost overwhelming reliance on national guard and reserve members to support military operations around the globe. There could be no doubt that guard and reserve members are engaged and providing a valuable service to our active component counterparts throughout the world. They are committed, dedicated, engaged, and most importantly, relevant. We ask you to remain diligent in overseeing moves to rebalance the force and the transformation process that has already begun.

The Coalition appreciates the steps Congress took last year to provide TRICARE to National Guard and reserve members on a cost share basis, to those who either did not have employer provided health care, or are unemployed. Unfortunately, the program has not yet been implemented, nor can the Department of Defense tell us when it will be.

DOD officials have stated that it will be difficult to change the TRICARE contracts to accommodate the temporary program, and then change them back again when it expires. In testimony, DOD officials have recently also mentioned a limited demonstration program to gather data and see what the impact is on recruitment, retention, and readiness. A demonstration program is an excellent first step for those without any health care, but recent health care demonstrations have shown that people who have a health care plan do not want to enroll in a temporary program. A health care program is not something people want to try out for a little while. They don't like changing doctors, and they are afraid they can't get back into their previous coverage when the demonstration ends.

DOD officials have also said recently that opening up the benefit will not help with readiness. It is a readiness issue. Approximately 20 percent of the guard and reserve members, 40 percent of the enlisted force, do not have any health care coverage. Currently, and in recent months, hundreds of guard and reserve members were on medical hold at various mobilization stations across the country. Could some or all of these medical holds have been avoided if they had access to health care?

It is only right that we provide access to the necessary health and dental care, so our guard and reserve members can meet the physical requirements for military duty. TRICARE for all guard and reserve members is a quality of life issue for those who serve in the guard and reserve. It provides affordable health care to the service member and to their families. It will aid in recruiting and retention, and can also be an incentive to the civilian employers.

Another point I would like to make about this program is that it is not the same as the active duty benefit. There will be a significant annual premium to purchase the coverage. I urge you to send a strong message to DOD, and to the members of the Selected Reserve that TRICARE for guard and reserve is a priority of this Con-



gress. Pass permanent legislation into law and expand the program to include all guard and reserve members and their families.

Another issue I would like to discuss is the change to the Reserve Retirement System. The fundamental assumption of the Reserve Force Retirement System that was established in 1947 is that a guard or reserve member has a primary career in the civilian sector. The demands on reserve forces over the past 14 years have cost tens of thousands of guard and reserve members significantly in terms of their civilian retirement accrual, civilian 401K contributions, and civilian job promotions. The time has come to recognize the Reserve Retirement System as a complement to civilian retirement and not as a supplement. Failing to acknowledge and respond to the changed environment the guard and reserve members face could have far-reaching effects on reserve participation and career retention. The contract with America's national guard and reserve has changed. It is now the time to reward those who have made the change possible, reward them with a retirement program that allows them to draw benefits at an earlier age.

The Coalition also urges that adequate funding be made available for family support programs that meet the unique needs of guard and reserve families. These families frequently do not have ready access to military installations or current experience with military life.

Thank you and the Committee for all the support you have given our National Guard and reserve members. Mr. Chairman, this concludes my testimony, and I am prepared to answer any questions.

[The prepared statement of the Military Coalition presented by Mr. Barnes, Ms. Harting and Colonel Lange can be found in the Appendix on page 1083.]

Mr. MCHUGH. Thank you very much. Again, we appreciate your being here. Colonel Lange, you are United States military—United States—well, that is true—United States Marine Corps.

Colonel LANGE. Sir.

Mr. MCHUGH. Retired, who is Deputy Director of Government Relations for the Military Officers Association of America, MOAA. Welcome, sir.

#### **STATEMENT OF COL. LEE F. LANGE, U.S. MARINE CORPS (RET.), CO-CHAIRMAN, SURVIVORS COMMITTEE**

Colonel LANGE. Thank you, Mr. Chairman, and Dr. Snyder, for the opportunity to appear before you today and discuss the Military Coalition's views on retiree and survivor issues.

I would first like to thank the Subcommittee for passing concurrent receipt provisions last year. This historic legislation is improving the daily quality of life for thousands of disabled retirees.

My one message today is to ask for your support on improving the military Survivor Benefit Plan, SBP. Military survivors now face a steep drop in the SBP benefit at age 62, about one third of the dollar amount. Ending this is The Military Coalition's number one retiree and survivor goal. SBP is the only way a military retiree can pass on a portion of his or her retired pay to survivors. Over 250,000 survivors who are overwhelmingly women, are now drawing the benefit, and 90 percent are over 62.

Another one million retirees are enrolled in SBP to protect their survivors in the future. The age 62 benefit reduction is wrong for three reasons. First, many older retirees and survivors weren't told of the age 62 reduction and are shocked to learn of it. Examples of early enrollment forms from the first 10 years of the program describe the benefit as 55 percent.

Second, the government is not paying its fair share of the costs of SBP. When SBP was enacted in 1972, Congress intended that the government would pay 40 percent of the cost to parallel the subsidy for Federal civilian SBP. Because of conservative actuarial consumptions, the government's cost share has declined to 19 percent. When this happened before in 1990, Congress restored the 40 percent subsidy by lowering the SBP premiums. Now that the subsidy has dropped even lower, Congress should act again, only this time, to raise the benefit for survivors.

Third, Federal civilians fare much better on their SBP programs. Their government subsidies are 33 to 48 percent, and their survivor payments are either 50 or 55 percent of retired pay with no drop at age 62. Military survivors should not be treated any differently. For many survivors, the reduction in benefits may be the difference between keeping their home, having a car, or having anything left over after paying bills. We are particularly concerned for the 135,000 survivors of enlisted members whose retirements are less to start with, and where the reduction in SBP hits home especially hard. The Coalition worked closely with representative Jeff Miller to develop lower cost SBP legislation. This legislation includes an open season to allow those who did not elect SBP to join the program. This generates savings by reducing DOD outlays in retired pay. In addition, a delayed effective date means no outlays in the first year. The Congressional Budget Office (CBO) has scored this bill, H.R. 3763, at less than \$500 million over 5 years.

We appreciate your request to the House Budget Committee to consider SBP in the 2005 budget resolution. Last week, the Budget Committee included a reserve fund for SBP in the budget resolution. In a separate meeting with us, Chairman Nussle pledged to work with the Armed Services Committee to find offsets that would not have to come from sources under your jurisdiction.

Mr. Chairman, there is a great opportunity to act on this extremely important matter this year. Over 330 members of the House have co-sponsored legislation to improve SBP, including 50 members of the Armed Services Committee. These widows have waited a long time and they need our help now.

Thank you, Mr. Chairman. I look forward to your questions.

[The prepared statement of the Military Coalition presented by Mr. Barnes, Ms. Harting, and Colonel Lange can be found in the Appendix on page 1083.]

Mr. MCHUGH. Thank you very much, and I appreciate your efforts with respect to concurrent receipt and your efforts at this time, as your testimony underscored with respect to the SBP program. Let me return to the source of this particular discussion, back to Dr. Thie.

I am just curious, and had we had more time, I would have and probably should have posed this to the military services. I would be curious what your perception was and is with respect to the ex-

tent, either positively or less so, as to the services buying in, for lack of a better phrase, of your recommendations, and what your view, at least, was of their receptivity to your findings, and to put in place the fundamentals of aligning the stars in your study report.

Dr. THIE. And clearly, that will be my perception, and——

Mr. McHUGH. I understand that.

Dr. THIE [continuing]. Views, because I was not present for many of the discussions with the senior departmental leaders on this. First of all, Mr. Rumsfeld was very supportive of it when it was discussed with him, and he clearly set the direction that this is a way to move. Dr. Chiu briefed all of the military departments, the Secretaries, and the Chiefs of Service, and to my understanding, we were not there for those. There were no objections raised.

We worked with analysts in the general office or management offices to go over our findings. They ran them through their models and analyses and agreed that our conclusions were certainly robust in terms of what was likely to happen to promotions and length of service, given these changes.

We had briefed selectively individual officers in the services that have asked for the briefing, for example, a senior member of the Army we have briefed, and their views, I think I would sum up as saying they were surprised sometimes at the practices with which general officers were managed. It wasn't clear that they understood the rapidity of movement through assignments and jobs. Clearly, I would represent that they were generally supportive of changes. As part of our work, we were asked to interview serving and retired senior officers. We discussed some of the direction we were taking in that research. I think there was general agreement that improvements could be made in the system in a number of ways.

I would not want to represent, though, that any of the services, or each of the services, has somehow endorsed our work or our findings.

Mr. McHUGH. I understand. And I appreciate your forthright perspective on that. But I asked for your opinion, and you rendered it, and that is appreciated as well, and we will certainly follow up with the services, and although we didn't ask this on the record here today, we will certainly follow up with written inquiries as to their specific perspective.

You mentioned, and I believe I understood, in my review of your report that promotions under your concept, under your plan, would by and large remain the same with respect to O-10's, and that would be cut by—go ahead.

Dr. THIE. I am sorry, I started to interrupt you.

Mr. McHUGH. No, no.

Dr. THIE. Promotions to the grades of O-7, O-8, and O-9 would remain the same, in terms of the numbers of people promoted to those grades, to the grade of O-10 is where the big change would be. They would be cut in half.

Mr. McHUGH. That is exactly what I was going to state, and I am glad that I heard you correctly. Could you—why is the drop by 50 percent on O-10?

Dr. THIE. It is basically the tenure that they would have in jobs would go to four years under our recommendations, and they would



have two of those jobs, so a typical O-8 or O-10 would serve for eight years in grade, and when you increase the amount of service, in effect you are almost doubling the amount of service. You are then having the number of new O-10's that you need to make in order to fill all the billets. So you have the same number of positions, but you simply make fewer officers who will serve twice as long than they currently do in those positions.

Mr. MCHUGH. So, did you get into what happens to the O-9s that aren't acceded?

Dr. THIE. We did, and the basis, again, of our views has to do with certain positions that can be observed within the services that are used to develop officers that progress up. Other positions are used for longer service, and those officers will not be promoted. If you focus on those who are on the developing side, those who have the expectations of continued promotion, they would continue to advance through the system at a higher rate than they actually do now. It is those O-9s who typically don't get promoted that would go into longer service positions and serve longer in their careers. So you are increasing job tenures for part of the population, while continuing the developmental and promotion flow for the other part of the population.

In a way, it is back to what you said earlier. Statistics currently are misleading, because you become the average statistics. So on average, everybody looks in a certain way. What we are suggesting is there are really two groups of people and two types of positions, those who would, on average, serve much longer in positions and have longer careers, and those who on average would continue to move through the system at about the same or a greater rate than they do now.

So rather than just looking at the averages, we are looking at the two groups of people.

Mr. MCHUGH. I understand. Thank you. Dr. Hosek. Obviously, the basic finding of your examination that deployments, in fact, tend to enhance retention. You do, however, note that there are periods of extensive deployments that have the opposite effect. Are you able—did you quantify what makes an extensive deployment circumstance, number one, and number two, if you did, or even if you didn't, anecdotally, do you think we are approaching that now?

Dr. HOSEK. We did quantify it, and I would guess that we are approaching it now. In brief.

Mr. MCHUGH. And could you briefly describe—

Dr. HOSEK. Yeah.

Mr. MCHUGH [continuing]. That quantification?

Dr. HOSEK. In the report that underlies the table that was supplied for the testimony, there is another chart, another table, that actually indicates the percentage of people in each of the number of deployment cells, so zero, one, two, three plus non-hostile, and zero, one, two, three plus hostile. In the 1990's, the percentages with three of either type was quite low over a three year period, prior to reenlistment.

My guess is that today, we are seeing a number of people with probably on the order of two hostile and two non-hostile over a three year period. So we are verging out toward that territory. I don't know that we are really in the three and three category yet.



I kind of doubt it actually, but I am not sure, because again, the data are still being assembled, at least.

The second way we tried to quantify this had to do with the length of a deployment. And if I—again, the document, the report, has that information in it, but typically, for Marine Corps, Navy, or Army, the average length of a hostile deployment tended to be around five to six months. For the Air Force, it was a bit shorter, reflecting the fact that many air missions are really just flown. They are very short. You know, you fly, you come back, and then, if you rotate crews to fly the next mission, you tend to get fewer. What we found is that—some evidence that longer deployments tended to reduce the reenlistment a bit. Tending to bring it down toward, but still above where it was for people who were not deployed.

Mr. MCHUGH. I appreciate that. Two—

Dr. HOSEK. Yeah.

Mr. MCHUGH. Two qualifying responses. The—you mentioned the 1990's. This study, and the deployments that you mentioned, two hostile, two non-hostile, whatever—

Dr. HOSEK. Yeah. Yeah.

Mr. MCHUGH [continuing]. The combination may be. That is a three year period.

Dr. HOSEK. Yes, over a three year period.

Mr. MCHUGH. Over a three year period. Not over the entire decade, obviously.

Dr. HOSEK. That is correct.

Mr. MCHUGH. Okay.

Dr. HOSEK. It was, for each person, we built a longitudinal record, counted their deployments and their lengths, and then looked at their subsequent reenlistment behavior.

Mr. MCHUGH. My able staffer, Mr. Higgins, said it could be anywhere within the decade, and I understand that, but we are talking about a three year period.

Dr. HOSEK. We are talking about three year periods.

Mr. MCHUGH. Just for the record.

Dr. HOSEK. And we actually—that observation is correct, but we—in our models, we made adjustments for whether the reenlistment occurred in 1996, 1997, 1998, or 1999.

Mr. MCHUGH. Right. And I could only—I won't speak for the Army, but my observation of the Army deployments in recent times, you mentioned four to five month deployments on average previously. They are probably at least twice that long now.

Dr. HOSEK. That is what I hear in the field.

Mr. MCHUGH. Yeah.

Dr. HOSEK. The number of people who have been out there for a year, and they come back, and they are facing a, say, a forward basing.

Mr. MCHUGH. Right.

Dr. HOSEK. Okinawa, something like that.

Mr. MCHUGH. Thank you very much. Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman. I wanted to ask, I guess, Dr. Thie first. Somewhere I got—this is like a chapter or something, isn't it, of a bigger RAND study that looked at a lot of different personnel policies, or is this a stand alone?

Dr. THIE. That is a stand alone document. We have ongoing work that is looking at personnel policies for the rest of the officer corps, those in the grades of O-1 to O-6, and we have the series of works in the past looking at the commissioned officer corps. But that is stand alone.

Dr. SNYDER. All right. And we were having problems in markup last year about whether we had these documents or not. This thing just came out like a couple of months ago, and the others have not yet come out yet. Is that right?

Dr. THIE. What you had—

Dr. SNYDER. You had some summaries.

Dr. THIE. What you had a year ago, we were asked at the time we completed the work, because our publication process is normally lengthy by the time we do internal review, formal printing.

Dr. SNYDER. Yeah.

Dr. THIE. We were asked if we could—the two lead researchers, Dr. Harrell and myself, put together our views with respect to the research and what we thought the outcomes would be. That was published in what we called at the time an issue paper. It was about a six page summary of the research.

Dr. SNYDER. Yes. Right.

Dr. THIE. That was provided to the Department last year, I believe in the February time period. And I believe that is what they may or may not have brought up to you at that time.

Dr. SNYDER. There was no study published until—

Dr. THIE. There was no study—this is the full study of that work. There was just a briefer summary of it.

Dr. SNYDER. I got you. You said something, and I don't know if it is in—I can't remember if it is in your written or just what you said today, about the issue of—if I heard you correctly, did you say something like most of the changes that you are talking about could do—be done without legislation, but there is clearly some advantage of having some legislative changes in terms of flexibility. Is that a fair summary of what you said?

Dr. THIE. That is a fair summary. The way the law is constructed now, there are a series of waivers to some of the provisions of the law—

Dr. SNYDER. Oh, I see.

Dr. THIE [continuing]. That are allowed, to age 62 can be waived. There are other provisions, though, that are not really waivable that I am aware of. For example, the length of service of a Chief of Service is set at four years. It is extendable in time of war or national emergency, but it is not extendable at other time periods, so there are some provisions that probably should be changed. Others, you could operate a series of waivers, but we would asset you would much prefer to manage a system where you are not relying on the Band-Aids, that it has got clear expectations for all about what the likely outcomes would be.

Dr. SNYDER. Would it be fair to say, I guess, I didn't see anything in here about where you got a legislative proposal. Would it be a fair statement to say that your proposed legislative remedy would be one of removing obstacles, but probably not Congress stepping forward and laying out specific, or proscribing a specific statutory mechanism? You are more concerned about giving the flexibility to

Secretary Rumsfeld or the President with regard to these fairly small numbers of high-ranking generals?

Dr. THIE. I think that is fairly stated just the way you did.

Dr. SNYDER. Yeah, and then we all provide oversight.

Dr. THIE. To allow the boundaries within which you can manage to expand without prescribing what has to occur, as you said.

Dr. SNYDER. I got you. Dr. Hosek, and I know according to your written testimony, you chose the words hostile and non-hostile just to kind of lump them together, but then, of course, words have meaning, and we start latching on to them, because it does make a difference. I mean, you are saying there were differences in—as to why people are retained. I mean, I look on it—is it—maybe there is—let me throw out some other possibilities. It may be that there is a sense of overseas, you know, the adventure of going overseas. It may be—so it would be overseas versus not going overseas. It may be the sense of adventure versus boredom. I mean, what motivates people of 18, 19, and their 20's?

Dr. HOSEK. Right.

Dr. SNYDER. You know, they saw those Marine Corps ads, and the movies for some good reason. You know, they want to go out and kill a dragon with a sword. It may be something to do with are you functioning within your MOS, what you were trained to do. And those—I would have thought the humanitarian aid would have been high, except that it is not what they were trained for. They were trained to fire M-16s and then they are out there food distribution. They may feel—in a foreign country, they may feel uncomfortable. So it seems like there is other ways of looking at it. I just say that, I guess, as a cautionary note, because we all might jump on that and say, well, it has to do with the threat of danger, and it may not. I recall some—it was shortly after September 11, I believe, within a few months. I was sitting on a plane with a woman who was in the reserves and guard and had been activated to come and work here in Washington. A pretty exciting time, the country needed her, you know, there was a lot of reasons—well, she was very unhappy. Why was she unhappy? Because she had been told she was replacing another person here so that person could do their education to further their career. It is not like she was replacing somebody who was going to guard an air base or anything. She said what about my career? That is, you know, we join the reserves to help our country, and I can argue with her will that help the country, but you have got my drift. I mean, it was not—that is not what she had signed up for, so I don't know if you have any comments about that, but it does seem like hostile, non-hostile, there could be a lot of different reasons within that. Do you agree with that, or do you have any thoughts about that?

Dr. HOSEK. I think there is a huge range of variation in the nature of deployment experiences. And on the, I guess, on the constrained or negative side, the primary reason for using the hostile/non-hostile designation is that that is the only—that was the only thing the data told us. I have hoped for, for years, and I have written about this in a couple of reports, that someday, deployment related information would have information about the origination, the destination, on a classified basis, with limited usage, the nature of the missions somebody went on, the conditions, you know,



camel spiders, high winds. There are just so many other details that would be relevant. It would be great to bring in to information about these, I will call them temporary assignments, but certainly deployments.

Everything you said, I agree with. I support it wholeheartedly. I am just—I don't want to step beyond what the data allows me to.

Dr. SNYDER. Yeah, I understand. The issue of length of tour. Don't we—you straighten me—I probably should ask the Chairman or Mr. Higgins this, but I think we are going to have an ongoing test, are we not, in that we have got—we are going to have fairly dramatic differences in length of tours between the Marine Corps and the Army. Is that correct? Marine Corps tours are going to be overseas 6 to 7 months, is that correct, and——

Dr. HOSEK. Yeah, indeed they——

Dr. SNYDER [continuing]. Army will be 12 months on the ground, and——

Dr. HOSEK. There are a variety of things going on. The Army is going to the unit based rotation. That is a major change. They have—they tried that in the mid-1980's, if I recall. I don't think there was—I don't know of any data being collected at that point. For individual units, oftentimes, based on the conversations I have had, a unit might have expected to leave at a certain date, and not left at that date. Might have expected to return on a certain date, and been postponed, and so there is already some variation in how long they were there. We don't know, with the data we have, what their initial expectations were, how long it was extended, a number of people were, I don't know, I wouldn't say annoyed, but obviously not pleased with unanticipated, seemingly arbitrary changes in deployment, departure, and return dates, particularly because it had effects on their families. They would plan for, you know, a certain time of reunion, and getting back together, but yeah, with, I must say, with the current heavy pace of deployment and op tempo, we will certainly have a wide range of variation in individual experiences with respect to duration of deployment.

Dr. SNYDER. And then that will have to be weighed against, can you turn over every six or seven months, and accomplish your mission——

Dr. HOSEK. Absolutely.

Dr. SNYDER [continuing]. Which will be a——

Dr. HOSEK. Yeah.

Dr. SNYDER [continuing]. I think something for the Marine Corps to sort out.

Dr. HOSEK. Yeah. This huge range of activity right now, to build up a unit, deploy, and then regenerate the unit, as well, you know, bringing in new people in the Navy before a ship goes out, there is just so much that needs to be done to qualify individuals for their positions, so while the ship is being readied, personnel are being sent back for their, you know, training to get certified that they have got the skills that are needed and so forth.

Dr. SNYDER. Dr. Hosek, did you reach any conclusions about should DOD continue its—the targeted pay raises for certain mid-grade and senior enlisted personnel? Is that something you all looked at?



Dr. HOSEK. I haven't looked at that for four years now, and I—and so I have no update on it.

Dr. SNYDER. That is fine. And I—may I ask you a question, Mr. Higgins.

Mr. HIGGINS. Certainly.

Dr. SNYDER. I was at the Veterans Committee Hearing, and the topic of Montgomery GI Bill came up, and now, we have had testimony here from Colonel Lange, I think, and maybe it was you, Ms. Harting, about Montgomery GI Bill, which committee has jurisdiction over Montgomery GI Bill?

Mr. HIGGINS. Mr. Snyder, that is a rather, at times, contentious issue, I would say. It is at times an issue that is somewhat debatable. Clearly, the Reserve Montgomery GI Bill for the Selected Reserve is a Title X provision. That is clearly our jurisdiction. The Montgomery GI Bill for the Active Forces is Title XXXVIII. That is clearly the jurisdiction of House Veterans Affairs. It has a great deal of information in there that is of relevance to the armed services, and in that context, and the Secretary of Defense has responsibilities outlined there. In that context, I think we have a substantial claim, and in turn, I think that since the Reserve GI Bill is essentially managed and paid by the Department of Veterans Affairs, that they have a substantial claim to our piece in the reserve.

Dr. SNYDER. Well, I don't really have a question. Colonel Lange, it was you that mentioned that, wasn't it?

Colonel LANGE. It was Ms. Harting.

Dr. SNYDER. Oh, Ms. Harting. Okay, good, but we—I think it is a very real issue. I think it is maybe more important than we used to think it was, just because of this changing economy, and this whole idea that there will be a need for ongoing training and education, which means we need to look at it and even for our reserve forces, even though they may be 30 or 35 years old, they still will—may well have need for additional education when they get out. We have got this little funny issue right now you can pay in your \$1,200, but if you wait for 10 years, you don't get your \$1,200 back, and it would seem like, at a minimum, we could say well, you should be able to at least draw out your \$1,200 after the eligibility runs out, since it was your money plus interest, if it is for an educational purpose, because we think a lot of people do have to go back to school. Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentleman. A couple other little points here. Dr. Hosek, in your presentation, you talked about the issue of the gap between military and civilian pay. You mentioned the 70th percentile as well. You may have heard me query Secretary Abell as to how they got to that. Did you utilize that based on some independent analysis, or did you just utilize it because that is what the military utilized?

Dr. HOSEK. It was an independent analysis.

Mr. MCHUGH. I am sorry. It was or was not?

Dr. HOSEK. It was.

Mr. MCHUGH. It was.

Dr. HOSEK. An independent analysis, as part of the QRMC, actually, and what we did working with my colleague, Beth Asch, and Professor John Warner at Clemson, what we did were really two things. The first was to make pay comparisons of the sort you saw

in the charts, and the second was to look at recruiting and retention outcomes. The idea being based on the economic model that retention is going to respond, among other things, to the level of military pay relative to civilian pay, and of course unemployment, and many other things. And trying to control for those things, and looking at studies that were done in the past as well, we came to the conclusion that roughly speaking, and not as a rule, a hard and fast rule, the level of military pay was competitive at around the 70th percentile of civilian pay for enlisted personnel, and that is the short story.

Mr. MCHUGH. It is for purposes of measurement.

Dr. HOSEK. Yeah. Retention and pay together.

Mr. MCHUGH. You feel that that is a valid data point.

Dr. HOSEK. Yes. And again, I would stress, not as a rule, per se, because it depends on other things.

Mr. MCHUGH. Sure.

Dr. HOSEK. Yeah. So, thinking—

Mr. MCHUGH. You have got to use something.

Dr. HOSEK. Yeah.

Mr. MCHUGH. I guess. Thank you, sir. Colonel Lange, in your comments about SBP, you mentioned the—I don't want to put words in your mouth, but I believe that your comments were intended to suggest that there was a 40 percent subsidy target originally. Is that correct?

Colonel LANGE. That is correct, sir.

Mr. MCHUGH. We are obviously below that in certain categories, depending on where you were at the time, and the—you can be down to about 19 percent. I guess the average is about 33 percent. You probably know better than I do, but—

Colonel LANGE. It may be overall, yes, sir. 19 percent would refer to non-disability retirees.

Mr. MCHUGH. Right. Right, yes. We are back to averages again. That really doesn't discern it, but if the offset were totally eliminated, the data that have been given to me suggest we are going to be at 53.8 percent subsidy. I personally don't have a problem with that, but it—I think it is important, because of the 40 percent target that you mentioned, that you might want to comment to the acceptability of that somewhat higher subsidy, and also, I would add that that is even higher than the Federal, which one is it, the Civil Service Retirement System (CSRS), so I mean, there is a challenge there. But if you would like to comment on that, and I am not trying to play gotcha, because I—as you know, we worked real hard to try to get headroom on that, and we are going to continue to try to do everything we can, but I just think—

Colonel LANGE. Yes, sir. Now, that 53 percent, that is a number I hadn't heard before. We knew that restoring the subsidy, or raising the benefit to 55 percent would certainly at least restore it to 40 percent, and as you have suggested, it could be more than that. I guess my only comment would be that I don't know that we would want the limit, the increase in that benefit, just based on that, and if it did exceed that subsidy, I think that is an issue that the Congress would have to wrestle with, whether that is the right thing to do. We would suggest that it probably is. But that would be my comment.

Mr. MCHUGH. Now, I appreciate that. So I don't want to, again, put words in your mouth. Taking your thought a little bit further down the road, I suspect what you are saying is the mathematics of it are really irrelevant, or not irrelevant, but secondary to the fact that there are a right way and wrong way to do these things, and the right way is the better way. Is that fair?

Colonel LANGE. Yes, sir. I think what we are really suggesting when we say restore the benefit, by looking at increasing that—restore the subsidy by looking at increasing that benefit, that is a way to at least start attacking the problem.

Mr. MCHUGH. Got you.

Colonel LANGE. And maybe there is some room there, and what you are saying is that may not take care of the whole issue. There is some overlap there, but that certainly is the place to start.

Mr. MCHUGH. Got you. Thank you very much. All of you, and I am dealing mostly—well, but Mr. Stewart mentioned it as well, with respect to his comments on the average—the 40 percent loss of income for reservists who are activated, out of their civilian role. I am sure all of you heard the comments, first, of Secretary Abell, and then, later the service reps who responded to my query about efforts to make up lost pay, and kind of extend it beyond that, no more generic discussion about equitable treatment, and I think I am being fair when I say well, their experience was when they are deployed, activated, deployed, they should receive the same and any makeup of income creates problems, particularly with respect to their interface with the active force, et cetera, et cetera. Would you like to respond specifically, any or all of you, to that statement, that most of the service, I think all of the service representatives made, and certainly Secretary Abell did.

Ms. HARTING. We have spoken about this in our guard and reserve Committee.

Mr. MCHUGH. Right.

Ms. HARTING. And we couldn't really come to a consensus on the issue, because many of the strictly guard and reserve organizations would like to see our members taken care of, and some kind of income protection would do that. However, that we—you do have to worry about, is that guard and reserve Members are going to be getting paid, essentially getting paid more than the active duty member, so we can't—

Mr. MCHUGH. Yeah.

Ms. HARTING. We haven't been able to solve the problem. One suggestion is to either amend the SCRA to the extent that some kind of, maybe a debt management program, where they wouldn't have to pay their mortgage, for example, while they are mobilized, because for people who have a really high income, and are really low rank in the military, they simply can't make the payments, and if they are mobilized for a year, there is no way for them to make those payments, so if we could establish some sort of threshold and let them not do it while they are mobilized. That may solve the problem.

Mr. MCHUGH. If you had an income insurance program, that you all probably know more than I do is a—I don't want to call it a miserable failure, but I don't know as I would be far off the mark. It didn't work. Mr. Stewart.



Mr. STEWART. Mr. Chairman, it—GAO comes at this from the issue of retention. And we see this in the Army in the health care field. The Army is woefully short of physicians and thoracic surgeons and what have you. Many of these folks are reservists. If you expect to retain those individuals, when you look at the data, physicians and nurses reported the highest income loss, some as high as \$50,000 per mobilization. If the Army is to retain those types of folks, they are going to have to do some type of targeted income supplementation. We are not saying that there should be an across the board. That is not GAO's position, but we do think that the services are going to have to look at their critical wartime specialties, and how these are being met by guard and reservists, and what do they have to do to retain it. That is why we made the recommendation in our report. This was our 2002 report, that DOD needed more information about who was actually losing money, to what extent, and what did the reservists, guardsmen mean when they said they lost income. What did—what were they reporting. This was self-reported data, and DOD really hasn't gotten behind the data. To DOD's credit, they did go out with a survey in September, and—but they haven't analyzed that data yet. They tell us that it will be July before they report out on that data. So it will be interesting to see what they find.

Mr. MCHUGH. Yeah, we will probably ask you guys to analyze their analyzation of the data.

Mr. STEWART. We would be happy to. We would be happy to.

Mr. MCHUGH. Sounds like a plan.

Dr. HOSEK. May I offer a comment or two on this?

Mr. MCHUGH. Certainly, Dr. Hosek.

Dr. HOSEK. My impression is that when the insurance plan was launched, the launch strategy was not very adept. And in particular, my understanding is that the reason the insurance program floundered and failed in the early 1990's is that the personnel who had private information about whether they would be deployed were the ones who were most likely to sign up for insurance.

Mr. MCHUGH. Makes sense.

Dr. HOSEK. And therefore, they soon broke the bank of the insurance fund. That is an observation. That is not to be, you know—so the second thing is, if we want to think about the provision of insurance through a public or a private agency, there is the question about how the insurance pool would be defined, and that, I think, is a crucial question here. If the—if, for example, the insurance pool were defined to be de facto you are in, like with the MGIB, and if you want to be out, you had better say you are out, and further, if you are in, you select the amount of insurance you want, A, B, or C, or you know. Something like that probably stands a better chance, particularly if it is done in a way that detaches the enrollment process from the private knowledge of whether a reservist will be subsequently deployed in the near future.

The second thing is that the—what I understand is that the complementary statistic to Derek Stewart's correct observation that 40 percent of reservists lost income, is that if I recall, 40 percent gained, and about 20 percent were neutral.

Mr. MCHUGH. Right.



Dr. HOSEK. It is important to look after the reservists who lost income. So please don't mistake this comment. The information about the distribution of loss, I think is really crucial, and my understanding is that the medical professions were the most prominent big losers. And obviously, others would say that they also entered professions where they received an enormous amount of training in—or, you know, a medical education provided by the government for that. That is meant to be an observation only, not a pro or a con. It did help the military get physicians, and as I believe you pointed out, one of the crucial questions is how to hold onto them once they have finished their initial obligation, and here again, you know, we sort of get back to well, just how do you protect that career and that income?

Mr. MCHUGH. Right.

Dr. HOSEK. So——

Mr. MCHUGH. Right.

Dr. HOSEK. Yeah.

Mr. MCHUGH. I appreciate that. I expect that 40 percent figure, where they actually gain income, has something to do with the high volunteer rate, by which some of the stop loss has been offset. And I don't want to minimize the issues of sense of duty and patriotism at all, but it probably doesn't hurt that you are making more money than it would if you stayed home. And that is neither here nor there——

Dr. HOSEK. Yeah.

Mr. MCHUGH. But I just thought I would mention that, but I appreciate it. Anybody else want to comment on that?

Mr. BARNES. Mr. Chairman, I would just add to——

Mr. MCHUGH. Mr. Barnes.

Mr. BARNES [continuing]. Dr. Hosek's comments that, as I recall, during the period of this mobilization initiative, there was a limited timeline, and as was reference by Mr. Stewart, I believe, that the communications, the marketing, were very, very limited on that, and those are very key, very key aspects of launching a new program. And we see similar challenges, or examples of similar challenges, with other programs that the Department has instituted, so as this is looked at, that is a very key aspect——

Mr. MCHUGH. Right.

Mr. BARNES [continuing]. To the implementation process.

Mr. MCHUGH. Right. Thank you. Dr. Snyder.

Dr. SNYDER. I don't have any other questions, just a comment about this income and doctors. I mean, I know a doctor back home that was mobilized during the first Gulf War. A solo practitioner, I remember getting a call from him one day if I would try to cover his practice, but I already had plenty to do, and he left, and that was the end of that practice.

Dr. HOSEK. Absolutely.

Dr. SNYDER. It wasn't just like for a period of six months or something he had a loss of income. He came back and had to start over working for somebody else.

Dr. HOSEK. Absolutely. Some people were really hurt by that.

Dr. SNYDER. And he is still very—he is a big believer in the reserve forces.

Dr. HOSEK. Yeah, it is interesting. So often, it is the case in phenomena like this, that there is a tale that involves very significant outlays or losses. A tale of a distribution of, you know, losses or gains. And they become very important cases. They can affect the entire system. That is—that, as I am sure you know, tends to be the way it works in health insurance, and I—it seems like it is also going to be the way it works in terms of people who have high income practices and are self-employed.

Dr. SNYDER. Thank you, Chairman.

Mr. MCHUGH. Yeah, well, I appreciate the gentleman's comments. We are blessed. I mean, we really are, for all the challenges out there, and all the things that we, I think, collectively agree need to be done to respond to both the guard and the reserve, and of course, the active component. They are still out there doing amazing work. God bless them. I am not sure where we would—well, I don't want to know where we would all be without them, and that has been true for over two and a quarter centuries, so that is why we are all here today, too, to try to respond to that. So, let me thank you all. Unless you want to hang around and talk some more.

Mr. STEWART. Mr. Chairman, I would just—

Mr. MCHUGH. Mr. Stewart wants to hang around.

Mr. STEWART. Hang around and talk. I would be remiss if I did not compliment your staff, Mr. Higgins, and Debra Wada. It has been a pleasure to work with them over the years. They are really hard working people, and we are—we appreciate working with them. I just wanted to pass that on to you.

Mr. MCHUGH. Well, I hate saying it in front of them, but I couldn't agree more. We are blessed there as well, and I have got Lynn Henselman, and John Chapla, and—

Mr. STEWART. Yes. Oh, yeah. All of them.

Mr. MCHUGH [continuing]. Had Dudley Tademy, and so many others, that have done great work, and you are absolutely right. And the bipartisan nature of it, too, I will tell you, in this town, is awfully refreshing.

Mr. STEWART. Absolutely.

Mr. MCHUGH. And I am speaking from a very personal and selfish perspective. But I thank you for that, as I indicated to the previous panel, we would hope if we submit to you some written questions, when you can submit those back for the record, we like to have the full range of views, but thank you for your patience and your contributions, as always, and keep up the good work, and with that, I would adjourn the Subcommittee.

[Whereupon, at 4:14 p.m., the subcommittee was adjourned.]

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# **A P P E N D I X**

MARCH 24, 2004

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**PREPARED STATEMENTS SUBMITTED FOR THE RECORD**

MARCH 24, 2004

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Chairman McHugh  
Opening Statement  
Military Personnel Policy, Benefits and  
Compensation Overview  
March 24, 2004

Today the Subcommittee will hear testimony concerning a wide variety of military personnel programs and policies. This overview of the military personnel world ensures that the Subcommittee stays in touch with those bedrock issues, such as compensation and benefits, which are so vital to the welfare of service members and their families, and, to a large extent, dictate whether they remain or leave military service.

Two of the areas that help us gauge how we are doing on compensation and benefits are recruiting and retention. By any measure, fiscal year 2003 was an excellent year for recruiting and retention, in some cases a record breaking year. However, if this Subcommittee has learned anything over the last ten years, it is that the only thing you can count on in recruiting and retention is that there is a natural cycle and the environment will change.

As good as the environment may appear to be today, I worry that improvement in the job market and continued stress on the force will yield a very hostile recruiting and retention environment in the near future. The questions are: Are we prepared to recognize that we have a problem early in the cycle and are we prepared to respond with the resources that will be needed?

I am also concerned about how we are compensating our war fighters. We are at a crossroads on imminent danger pay and family separation allowance. Given the December 31, 2004 expiration on increased levels for both these programs, we need to decide how we are going to proceed. We also need to decide what role programs such as high deployment allowance should have during this period of extreme operations tempo.

This Subcommittee and the Congress as a whole are very concerned about how to structure compensation and benefits for the reserve components. The Congress is acutely aware of the new era of high operations tempo within the reserve forces and the effect it is having on reservists and families. There is considerable pent up energy in the Congress regarding reserve programs and that has yielded many new ideas. The challenge now is to choose which of these programs will receive the benefit of our limited resources.

We will be looking for today's witnesses to help us understand and address these and other issues.

**OPENING STATEMENT OF  
VIC SNYDER**

**HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE**

**MILITARY PERSONNEL POLICY, BENEFITS AND  
COMPENSATION OVERVIEW**

March 24, 2004

Thank you, Mr. Chairman. I also want to welcome Mr. Abell and the Services' personnel chiefs, as well as our witnesses on the second panel—Mr. Thie and Dr. Hosek from RAND Corporation, Mr. Stewart from GAO, and from the military organizations, Mr. Barnes with the Fleet Reserve Association, Ms. Harting from EANGUS (Enlisted Association of the National Guard of the United States), and Colonel Lange, USMC, retired, from MOAA (Military Officers Association of America). Welcome and thank you coming to testify before the subcommittee.

I also want to take this opportunity to thank General Parks for his many years of dedication, outstanding service to our nation and the United States Marine Corps. General Parks will be retiring this summer, and we will certainly miss his leadership and counsel.



General Parks, once again, thank you for your exceptional leadership and service. Semper Fidelis.

Mr. Chairman, as of January 2004, there were 1,425,144 service members on active duty, who are being deployed to operations around the world including Operation Iraqi Freedom, Operation Enduring Freedom in Afghanistan, and Operation Noble Eagle protecting the home front here in the United States. This compares to the 1,471,722 service members who were on active duty during Operation Joint Endeavor in Bosnia-Herzegovina during 1995 through 1996.

Another way to look at the current state of affairs is the number Reserve and Guard service members who have been mobilized. As of Monday, 172,021 Guard and reservists are currently mobilized and 191,933 were demobilized since the Global War on Terrorism began. This means a total of 363,954 Guard and reservists have been mobilized over the past several years. The Global War on Terrorism has resulted in long, sustained deployments for both the active duty and the reserve components with no end in sight.

This unrelenting deployment schedule, combined with the aggressive transformation of the services, may harm the future stability of our Armed Force if we are not careful. There are a number of moving parts within the Services, particularly the Army. The Services are in the process of converting current military positions to civilian or contractor positions, which requires additional funding.

In addition, the Services are also rebalancing their active and reserve forces to be more responsive and to reduce the stress on their reserve components. The Army, for example, is creating additional military police units in the active and reserve forces, and is reducing artillery units in the reserves.

In order to meet the current operational requirements of Operation Iraqi Freedom, all of the Services have agreed to continue providing additional manpower. For example, the Navy is providing Seabees and Navy corpsmen, while the Marine Corps is sending the 1<sup>st</sup> Marine Expeditionary Force back to the Iraq to replace the 3<sup>rd</sup> Armored Cavalry Regiment and the 82<sup>nd</sup> Airborne Division.

The Services are moving forward on these transformational requirements, while also pursuing service-specific changes, such as the Army's proposal to move to unit based manning or the Navy and Air Force proposal to significantly reduce end-strength, all while prosecuting a war in Iraq and hunting terrorists in Afghanistan.

While recruiting and retention among the Services seem to be doing fine for now, the landscape could shift suddenly and drastically if the economy begins to improve in the near future. Also, the extended and frequent deployment of the Guard and Reserves begs the questions as to whether their compensation package adequately reflects the new realities they are facing.

As I stated in our earlier hearing on the adequacy of the force, we need to understand the effects these personnel decisions have on the operational requirements and, just as importantly, we need to understand how operational decisions have an impact on our personnel.

Thank you, Mr. Chairman. I look forward to hearing from our witnesses.

Prepared Statement

of

The Honorable Charles S. Abell

Principal Deputy Under Secretary of Defense

(Personnel and Readiness)

Before the

House Armed Services Total Force Subcommittee

March 24, 2004





## Principal Deputy Under Secretary of Defense For Personnel and Readiness Charles S. Abell

Charles S. Abell was appointed by the President as the Principal Deputy Under Secretary of Defense for Personnel and Readiness on November 15, 2002. A Presidential appointee confirmed by the Senate, he is the primary Assistant of the Under Secretary of Defense for Personnel and Readiness providing staff advice to the Secretary of Defense and Deputy Secretary of the Defense for total force management as it relates to manpower; force structure; program integration; readiness; reserve component affairs; health affairs; training; and personnel requirements and management, including equal opportunity, morale, welfare, recreation, and quality of life matters.

Prior to his appointment as the Principal Deputy, Mr. Abell served as the Assistant Secretary of Defense for Force Management Policy beginning on May 8, 2001. In this capacity he was responsible for policies, plans and programs for military and civilian personnel management, including recruitment, education, career development, equal opportunity, compensation, recognition, quality of life and separation of all Department of Defense personnel.

Before joining the Department of Defense, Mr. Abell served as a professional staff member of the Senate Armed Services Committee. Mr. Abell joined the Armed Services Committee staff in 1993, after a 26-year career in the Army. He was the lead staffer for the Subcommittee on Personnel, responsible for issues concerning military readiness and quality of life. His responsibilities also encompassed manpower; pay and compensation; and personnel management issues affecting active duty, reserve and civilian personnel; and organization and functions within the Department of Defense.

In recent years, Mr. Abell has had the primary Committee responsibility for a broad array of important initiatives aimed at restoring cost-of-living adjustment (COLA) equity for military retirees and survivors; improving the military health care program; upgrading Survivor Benefit Plan coverage; and enhancing pay, allowances and retirement programs for active duty and reserve members and TRICARE for Life, guaranteeing all retirees coverage within TRICARE and the military health care system. He also worked on codification of the homosexual conduct policy and legislation concerning the assignment of women within the Department of Defense.

Mr. Abell entered active duty service as an enlisted soldier and concluded his Army career by retiring as a Lieutenant Colonel. He served two tours in Vietnam in various positions; Infantry Platoon Leader, Company Commander and Cobra Attack helicopter pilot. His career progressed

through increasingly responsible positions at every level of Army operations. His decorations include the Legion of Merit, (2) Bronze Stars (Valor), Purple Heart, the Meritorious Service Medal (with four Oak Leaf Clusters), 14 Air Medals (two for Valor), the Army Commendation Medal (for Valor), and the Combat Infantryman's Badge.

Mr. Abell holds a Master of Science from Columbus University in Human Resource Management and a Bachelor of Science in Political Science from the University of Tampa.

## **Introduction**

Mr. Chairman and members of this distinguished Subcommittee, thank you for the opportunity to be here today.

Today's personnel overview is much more than a "report card" or a request for new legislation. I will be addressing the many ways that we are supporting our troops and their families, and the many issues that confront them. With your continuing support, I know that we can continue to attract and retain the best and brightest, and sustain the high quality of our all-volunteer force. Our young men and women and their families deserve the best we can give them.

In my overview, I will outline the critical steps we have taken to attract and retain talent in our Armed Forces – including targeted pay raises and numerous quality of life improvements for the service members and their families. Today, I will discuss a number of initiatives we are undertaking, such as reducing stress on our forces, rebalancing capabilities in the active and reserve components, building a foreign language capability, making military families a top priority, improving DoD healthcare management, to name but a few.

Using authorities and flexibility you have provided us, we have numerous initiatives underway to improve management of the force, and to increase readiness. With your help last year, we are now establishing a new National Security Personnel System that should help us better manage our 746,000 civilian employees. Similarly, we are using the new authorities granted us last year to preserve military training ranges while keeping our commitment to responsible stewardship of the environment. Flexible authorities that leverage readiness best serve our national defense.

We do face some challenges, such as the growing list of military entitlements that do not leverage readiness. With your continuing support, however, I am confident we can appropriately compensate our service members and their families for their sacrifices, yet maintain fiscal integrity.

## **End Strength**

Reducing stress on our forces is a top priority. Some have called for a permanent increase in end strength. We do not believe this is wise. We continue to review the adequacy of our military capabilities to ensure that we meet our nation's security needs. End strength is a critical determinant of capability, but only one of many other factors. A permanent increase is not in the nation's long-term interest. We have a number of other initiatives underway to increase our near-term and long-term capabilities while relieving near-term stress on the force.

The Services have begun converting 10,000 military positions to civilian in FY 2004 and have programmed an additional 10,000 conversions for FY 2005. The military end strength made available from these conversions will be used by the Army, Air Force, and Marine Corps to significantly improve long-term military capability and reduce stress on the Active and Reserve components. The Navy's military-to-civilian conversions will result in military end strength reductions and substantial cost savings, thanks in part to fleet modernization.

Moreover, by employing transformational force management practices, the Services can perhaps achieve the greatest degree of flexibility in utilizing the Total Force, while reducing both the stress on critical career fields and the need for involuntary mobilization. Force rebalancing, continuum of service, reach-back operations, rotational overseas presence, and improvements in the mobilization process can help to ensure that the Services have quick access to individuals with the skills and capabilities required for both emergency operations and sustained, day-to-day activities.

Given the flexibilities the law accords to the Secretary and the military departments, adequate temporary end strength increases can be pursued as necessary. As you will recall, Congress amended title 10 in the FY 2003 National Defense Authorization Act to allow the Secretary to temporarily exceed end strength by 3% instead of the previous 2% authority. Such temporary authority provides an efficient and timely way to meet service requirements. The Army is using this flexibility while it continues current operations and reconfigures for future engagements. We anticipate that the requirement for this end strength "spike" will dissipate as the Global War on Terrorism military manpower needs abate, the Army transition stabilizes, and our other initiatives take effect.

The United States can afford whatever military force level is necessary and appropriate to ensure our national security, but adding permanent military end strength should be the last choice...not the first. The costs are sizable over the lifetime of each added service member. Further, it takes time to recruit, train, and integrate new military personnel—the desired results will not materialize in the short run. Additionally, the funds required for a permanent increase in military end strength would crowd out funding for the transformational capabilities that are essential for our future security and offer the best way to reduce stress on both our current and future forces. Consequently, we should focus our efforts on making better use of our existing end strength so that we can reduce stress on the force while concomitantly increasing our capability.

### **Rebalancing the Force**

The Reserve components are making significant and lasting contributions to the nation's defense and to the Global War on Terrorism while the Department of Defense transforms to a more responsive, lethal, and agile force. However, it has become evident that the balance of capabilities in the Active and Reserve components is not the best for the future. There is a need for rebalancing to improve the responsiveness of the force and to help ease stress on units and individuals with skills in high demand.

Ensuring we have the right balance of our capabilities requires a multifaceted approach by the Department—no single solution will resolve the challenges faced by the Services. To achieve this goal, we have engaged in a cohesive rebalancing strategy to achieve the right force mix. The strategy consists of the following points:

- Move later deploying AC forces forward in operations plans and early deploying RC forces later in the plan; shift assets among combatant commanders
- Introduce innovative management techniques (such as enhanced volunteerism, expanded use of reachback, and streamlining the mobilization process to improve responsiveness)



- Rebalance capabilities by converting lower priority structure to higher priority structure both within and between the AC and RC

Through a comprehensive rebalancing strategy, we will gain added efficiencies from the existing force structure that may preclude any necessity to increase force end strength. The rebalancing strategy has as its objectives: to enhance early responsiveness by structuring forces to reduce the need for involuntary mobilization during the early stages of a rapid response operation; to spread mobilizations/deployments across career fields by structuring forces to achieve reasonable and sustainable rates; and to employ innovative management practices. By employing innovative force management practices, the Services can perhaps achieve the greatest degree of flexibility in utilizing the Total Force, while reducing repeated use in certain career fields and the need for involuntary mobilization.

Rebalancing efforts will not happen overnight. This process will be iterative and ongoing, as demands on the Total Force change and new requirements demand different skill sets. Already, in 2003, the services have rebalanced some 10,000 positions within and between the active and reserve components. For example, the Army is transforming 18 Army Guard field artillery batteries into military police. We intend to expand those efforts this year by rebalancing an additional 20,000 positions and will rebalance another 20,000 in 2005 – for a total of 50,000 rebalanced positions by the end of next year. Rebalancing is planned for such critical fields as civil affairs, psychological operations, chemical, special operations forces, intelligence, and military police. Indeed, we are accelerating the creation of 19 MP provisional units through conversions.

### **Active Deployment and Reserve Mobilizations**

Since the beginning of the GWOT, approximately 171,250 active duty members have been deployed (OEF and OIF). As of December 31, 2003, 1,423,341 service members were on active duty.

In the Reserve components, we are in the midst of one of the longest periods of mobilization in our history. The men and women of the National Guard and Reserve have responded promptly and are performing their duties, as the Nation requires. As of 31 December 2003, we had mobilized 319,193 Reserve personnel, since the beginning of the GWOT, who are performing and have performed magnificently throughout the world. We are managing these call-ups in a prudent and judicious manner, assuring fair and equitable treatment as we continue to rely on these citizen-soldiers.

As of 31 December 2003, there were 181,459 mobilized under 10 USC (12302).

- Army National Guard: 91,079
- Army Reserve: 65,079
- Air National Guard: 6,420
- Air Force Reserve: 9,376
- Navy Reserve: 1,562
- Marine Corps Reserve: 6,774
- Coast Guard Reserve: 1,169

### **Managing Force Capabilities in High Demand Skills**

With the Global War on Terrorism and the ongoing mobilization of Guard and Reserve members, we are monitoring the capabilities in the Reserve components that are in high demand. We have identified actions necessary to reduce the demand on these capabilities, where necessary.

About 320,000 RC members have been called to active duty in support for the Global War on Terrorism since September 11, 2001. To assess the capabilities that are projected to be in demand as we prosecute the war on terrorism, the Department has conducted an analysis of what elements of the RC have been called-up—evaluating that usage in terms of:

- Frequency of call-up—the number of times members have been called to active duty since 1996,
- Percentage of available pool—what percent of the RC force has already been used to support current operations, and
- Duration—how long the members served when they were called-up.

**Frequency of call-up-** To date, a relatively small number of RC members have been called up in support of the current operation who were called up for other contingency operations in the last eight years. Less than 12,000 out of the 876,000 members in the Selected Reserve (or just over 1 percent) have been called up in support of multiple contingencies since 1996. Another 16,000 (or about 2 percent of the Selected Reserve) have been called up more than once for the Global War on Terrorism. Overall, the frequency of call-ups does not indicate an excessively high demand on the Reserve force at this time.

**Percent of available pool—**Through December 2003, 36 percent of the Selected Reserve force was mobilized in just over two years of this operation. However, the usage rate is not consistent across the force. Some career fields—like force protection assets, civil affairs, intelligence and air crews—have been used at a much higher rate. And other career fields—like medical administration, legal, and dental care—have been used at a much lower rate. Currently, the utilization is concentrated in about ¼ of officer career fields and about ⅓ of the enlisted career fields; furthermore, the highest utilization is concentrated in a relatively small number of selected career fields.

**Duration—**Tour lengths for RC call-ups have increased for every operation since Desert Shield/Desert Storm. The average tour length for Desert Shield/Desert Storm was 156 days. For operations in Bosnia, Kosovo, and SWA, tours were for about 200 days. For those members who have completed tours of duty during the current contingency, tour lengths have averaged about 320 days. To mitigate the depletion of the available pool of reserve assets, the Department policy is to utilize volunteers to the maximum extent possible. Reserve component members will not serve involuntarily more than 24 cumulative months.

### **Continuum of Service**

We are in our second year of implementing a new approach in force management called “continuum of service.” The continuum of service will facilitate varying levels of participation

and enable military personnel to move back and forth between full-time and part-time service. Particularly for reservists, this approach would make it easier for them to voluntarily move up to full-time service for a period of time, or into a participation level somewhere between full-time and the traditional 38 days of reserve training each year. Or it would allow them to move in the other direction – fewer days of participation as their circumstances dictate. Similarly, an active service member could move into a Reserve component for a period of time, without jeopardizing his or her career and eventual opportunity for promotion. Just as the continuum of service model encourages volunteerism among the standing force, it also creates opportunities for military retirees and other individuals with specialized skills to serve on a more flexible basis, if their skills are needed.

The continuum of service model has a number of important advantages: in addition to capitalizing on volunteerism, it will enhance the ability of the Armed Forces to take advantage of the high-tech skills many Reservists have developed by virtue of their private sector experience – while at the same time creating opportunities for those in the Active force to acquire those kinds of skills and experiences. And it improves our capability to manage the military workforce in a flexible manner, with options that currently exist only in the private sector. Finally, there are certain skills that are hard to grow or maintain in the full-time force, but may be ideally suited for part-time service in a Reserve component, such as certain language skills and information technology specialties. The continuum of service can provide the opportunity for highly trained professionals to serve part-time and provide a readily available pool of these highly specialized individuals who would be available on an as-needed basis.

There are several areas in which we need your assistance to implement the continuum of service. They include providing more consistency in management and accounting of reservists serving on active duty, providing greater flexibility in using inactive duty for reach-back and virtual duty, allowing for an alternative military service obligation and streamlined basic training for certain individuals accessed into the force with unique civilian acquired skills, and providing the authority to establish auxiliaries for the Army, Navy and Marine Corps, modeled after the very successful Coast Guard Auxiliary. These modest, but significant changes will help the Department optimize the use of the force and facilitate volunteerism, thus reducing the need to involuntarily call-up Guard and Reserve members. Legislative proposals to effect these changes will be forwarded to the Congress for your consideration.

### **Balancing Critical National Security Resources**

To preclude conflicts between Ready Reserve members' military mobilization obligations and their civilian employment requirements during times of war or national emergency, the Department conducts a continuous "screening" program to ensure the availability of Ready Reservists for mobilization. Once a mobilization is declared—as occurred on September 14, 2001 -- all screening activities cease and all Ready Reserve members are considered immediately available for Active Duty service. At that time, no deferments, delays, or exemptions from mobilization are granted because of civilian employment.

However, due to the unique situation that was created by the events of September 11, 2001, the Department immediately recognized that certain federal and non-federal civilian employees were

critically needed in their civilian occupations in response to the terrorist attacks on the World Trade Center and Pentagon. Accordingly, the Department established a special exemption process to help accomplish overall national security efforts. As of December 31, 2003, we have processed 263 requests from civilian employers to delay or exempt a reservist-employee from mobilization. We approved 98 requests for exemptions, 90 reservists were authorized a delay in reporting to give the employer time to accommodate the pending mobilization of the employee, and 75 requests were denied. We continue to receive exemption requests as additional reservists are identified for mobilization and process them as expeditiously as possible.

### **Employer Support of the Guard and Reserve**

Employer support for employee participation in the National Guard and Reserve is absolutely critical to recruiting and retaining quality men and women into our Reserve forces. Building employer support requires a strong network comprised of both military and civilian-employer leaders, capable of fostering communication, education and an exchange of information. Employers' understanding of their legal requirements concerning support for Guard and Reserve employees is imperative.

The National Committee for Employer Support of the Guard and Reserve (ESGR) is the Department's primary office for outreach and education to employers. ESGR coordinates, trains, funds and directs the efforts of a community based national network of over 4,200 volunteers, organized into 55 committees located in every state, the District of Columbia, Guam, Puerto Rico, the Virgin Islands and in Europe. ESGR has developed and implemented new training programs for their volunteers, planned new industry symposia to bring together industry segments with military and Department leaders, expanded their presence at industry conferences, and further developed and enhanced their partnerships with the National Chamber of Commerce, state and local Chambers of Commerce, and local and national Human Resource organizations.

Although we established a Guard and Reserve Employer Database in late 2001 in which reservists could voluntarily provide information about their civilian employers, we were having limited success in populating the database. However, information about the civilian employers of reservists is necessary for the Department to meet its statutory responsibilities to consider... "civilian employment necessary to maintain national health, safety, or interest" (10 USC, Sec. 12302) ... when determining members to be recalled, especially members with critical civilian skills and to inform employers of reservists concerning their rights and responsibilities under the Uniformed Services Employment and Reemployment Rights Act (USERRA).

Last year we began laying the groundwork for a mandatory reporting program. That effort will culminate with the rollout of a new Civilian Employment Information (CEI) Program this spring. Under the CEI program, reservists will be required to provide information about their employers. We have been working closely with the Services and the Reserve components in the development of this program to ensure we protect the privacy of reservists with respect to the use of this information on their civilian employers. For example, we would not directly contact an employer about an individual reservist unless the reservist asked for our assistance with an employer issue. But we could work with an employer as part of our broader efforts to inform all employers about the Guard and Reserve.



Populating the Guard and Reserve Employer Data Base is critical in order to clearly focus employer outreach efforts. It will enable us to work closely with the civilian employers who are directly affected by the mobilization of reservists. The use of this program will also assist in other research projects we have undertaken to determine if and when significant problems with employers are emerging. Understanding the challenges civilian employers must address will help us identifying steps we can take that will be most beneficial to them—strengthening our employer support program and making service in the Guard and Reserve easier for our members.

### **The Value of the Reserve Components**

The FY 2005 Defense budget recognizes the essential role of the Reserve components in meeting the requirements of the National Military Strategy. It provides \$31.3 billion for Reserve component personnel, operations, maintenance, military construction, and procurement accounts, which is approximately 1% above the FY 2003 appropriated level. This represents 8.3% of the overall DoD budget, providing a great return on the nation's investment. Included are funding increases to support full-time and part-time personnel, and the required sustainment of operations. It also continues last year's effort toward Reserve Component equipment modernization and interoperability in support of the Total Force policy.

These funds support nearly 862,900 Selected Reserve personnel requested in the President's Budget. The Selected Reserve consists of the following: Army National Guard 350,000; Army Reserve 205,000; Naval Reserve 86,000, Marine Corps Reserve 39,600, Air National Guard 106,700, and Air Force Reserve 75,600, Coast Guard Reserve 11,000 (funded by DHS). Our total Ready Reserve, which also includes the Coast Guard Reserve, Individual Ready Reserve and Inactive National Guard is 1,188,074 personnel.

### **Entitlements Growth**

#### **Military Compensation**

Sound compensation practices are essential to attracting and retaining the caliber of individuals needed for a robust All Volunteer Force. With the support of Congress, we have made great progress over the last few years in improving our members' basic pay. Since Fiscal Year 2000, basic pay has increased 29 percent. Particularly noteworthy, mid-grade noncommissioned officers, who represent the core of experience and talent in our military services, have seen their pay increase an average of 35 percent.

Likewise, we applaud the Congress' continued support for reducing military members' out-of-pocket housing costs, which stood at nearly 18 percent in Fiscal Year 2000. Through Basic Allowance for Housing increases during each of the past few fiscal years, we will achieve our goal of totally eliminating average out-of-pocket housing costs with this year's President's budget.

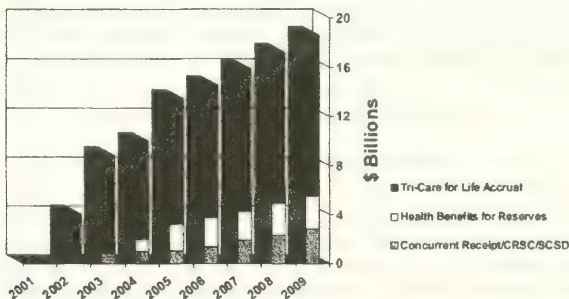
To capitalize on our successes in recruiting and retention and sustain that momentum, we must continue to invest in items that leverage readiness. Authorities for flexible compensation tools

enable the Department to tailor incentives to respond to specific readiness demands and provide the capacity to efficiently start and stop them. For example, we are seeking an increase in the ceiling for Hardship Duty Pay, which will furnish the Department with the ability to compensate appropriately members who are repeatedly deployed away from their families and placed in harm's way in support of contingency operations. Additionally, increased use of the recent Assignment Incentive Pay authority will provide a viable means of incentivizing hard-to-fill duty stations, such as Korea and other remote locations, which directly impacts unit readiness in a positive way.

Conversely, we discourage the expansion of entitlements and the creation of new ones that do not leverage readiness. For example, TRICARE for non-active reservists and their families could have a long-term fixed cost of \$1 billion annually with little payoff in readiness. The phase-in of concurrent receipt for retirees with at least a 50 percent disability and expansion of the Combat-Related Special Compensation program, while not directly reflected in the Department's budget, will cost \$6.1 billion a year within 10 years (\$4.1 billion from the DoD retirement fund and \$1.5 billion from VA entitlements), funds that could potentially be applied to areas that better address national security needs. The chart below illustrates the growth in the cost of recent new entitlements since 2000, projected out to 2010.



## Entitlements Growth



FY 2004 Data

DoSD/PA/1 Military Personnel Policy

This year, we understand the Congress may be considering additional expansions of entitlements programs, such as lowering the age Reserve retirees receive their annuity from 60 to 55. Preliminary, rough estimates indicate that this could cost \$6.6 billion in payments, nearly \$4 billion in added health care costs, and \$14 billion in Treasury outlays over the next 10 years. Yet, we have no evidence this would help shape the force or improve readiness; most Reservists who would immediately benefit are already retired. Proposals to eliminate the reduction in survivor benefits that takes place at age 62, from 55 percent to 35 percent of military retired pay, when social security provides the difference, could cost \$800 million the first year and exceed \$1

billion per year within five years. A five-year phase-in has been scored by CBO to cost \$7 billion over 10 years. The phase-in of concurrent receipt, if expanded to full concurrent receipt, would equal \$8.4 billion a year within 10 years (almost 40 percent greater than the newly-passed benefits).

More long-term entitlements are not the answer to our readiness issues. We need flexible compensation and benefit authorities that can focus benefits to support members deployed to a theater of hostilities, as well as their families, and can be terminated when no longer necessary. We firmly believe authorities of the type that leverage readiness best serve the national defense.

### **Military Health System Funding**

Defense Health Program (DHP) costs continue to rise, reflecting increased utilization by beneficiaries returning to the MHS for their care. In 2003, the DHP experienced a seven percent increase in new users; we anticipate that the growth rate in 2004 will also be seven percent. These growth rates reflect healthcare increasing costs in the private sector and the consequent election of MHS-eligible beneficiaries to return to TRICARE. Activation of Reserve Component members brings additional eligible beneficiaries to the MHS.

The Department has initiated several management actions to use resources more effectively and thus help to control the increasing costs of healthcare delivery. The MHS will implement performance-based budgeting that focuses on value rather than cost of healthcare. An integrated pharmacy benefits program including a uniform formulary based on relative clinical and cost effectiveness is being established. Federal pricing of pharmaceuticals in the TRICARE retail pharmacy program will be used to generate significant cost avoidance. Utilization management programs continue to ensure that all provided care is clinically necessary and appropriate.

We need your assistance by restoring the flexibility to manage DHP resources across budget activity groups. Our new healthcare contracts use best-practice principles to improve beneficiary satisfaction and control private sector costs. Our civilian partners must manage their enrollee healthcare and can control their costs by referring more care to our military treatment facilities (MTFs), or our direct care system. In concert with the new contracts, we will implement a Prospective Payment System to create the financial incentive for our MTFs to increase productivity and reduce overall costs to the Department; funds will flow back and forth from the MTFs to the private sector. Currently, MTFs' revised financing funds are in the private sector budget activity group. Fencing DHP funds not only prevents transfer of funds from MTFs to the Private sector, but also prevents transfer of private sector funds to the MTFs. Fencing DHP funds does not allow MTFs to use these revised financing funds to increase their productivity and workload without prior approval reprogramming. We understand and appreciate that the Congressional intent was to protect direct care funding; however, fencing the DHP funds will adversely affect both the MTFs and care in the private sector. We urge you to allow the MTFs and the Military Health System to manage the DHP as an integrated system. Funds must be allowed to flow on a timely basis to where care is delivered. Reprogramming is a three to six month process.

### **Reserve Health Benefits**

In addition to the enhanced benefits the Department offered to activated Reserve Component members and their families during 2003, the FY 2004 DoD Supplemental Appropriations Act included even more new benefits. The new temporary reserve health program offers us the ability to assess its benefits after the trial period is over. We will look to see if they adequately enhanced access to care for our reserve component members and their families and improves our readiness as a fighting force. Assuring the medical readiness of reservists when they are called to active duty registers as one of our highest priorities. Plus, providing excellent benefits to the families of activated reservists and supporting them in the transition to and from active duty are vitally important responsibilities. Looking to the future, we need to proceed cautiously in considering costly new entitlements for reservists who have not been activated. A key issue would be the effect of a new entitlement on recruitment and retention of both reserve and active duty component members.

## **Improving Military Personnel Management**

### **Recruiting**

The success of our All-Volunteer Force starts with recruiting. During FY 2003, the military Services recruited 178,350 first-term enlistees and an additional 6,528 individuals with previous military service into their active duty components, for a total of 184,878 active duty recruits, attaining over 100 percent of the DoD goal of 184,366 accessions.

The quality of new active duty recruits remained high in FY 2003. DoD-wide, 95 percent of new active duty recruits were high school diploma graduates (against a goal of 90 percent) and 72 percent scored above average on the Armed Forces Qualification Test (versus a desired minimum of 60 percent).

In the Reserve Components, during FY 2003, the Military Services recruited 259,290 first-term enlistees and an additional 84,312 individuals with previous military service for a total of 343,602 recruits, attaining 104 percent of the DoD goal of 331,622 accessions. All Active and Reserve Components, except the Army National Guard, achieved their accession goals.

We are closely monitoring the effects of mobilization on recruiting and retention, especially for the Reserve components. The Reserve endstrength objective for FY 2003 was achieved. Despite a recruiting shortfall, the Army National Guard did achieve its endstrength, thanks to low attrition. The recruiting picture for the Army National Guard is much better through the first quarter of FY 2004—achieving 102 percent of mission thus far.

We are optimistic that all Services will achieve their active duty recruiting goals this fiscal year. All Services entered FY 2004 with a sizable delayed entry program, and all Services are ahead of their year-to-date goals for active duty recruiting. Unlike the Active Component, the Reserve Components do not routinely contract recruits for accession into a future period. So, while the Active Components entered FY 2003 with healthy delayed entry programs, the Reserve Components must recruit their entire goal in this current fiscal year.

The trend of an increasing percentage of Reserve Component recruits without prior military service continues. Approximately 50 percent are now expected to come directly from civilian



life. This is a result of high Active Component retention contributing to lower Individual Ready Reserve populations.

For 2004, all Reserve components are continuing to focus their efforts on maintaining aggressive enlistment programs by using both enlistment and re-enlistment incentives in critical skill areas. Emphasis will be placed on the prior service market for both officers and enlisted personnel. The Reserve components will expand their efforts to contact personnel who are planning to separate from the Active component long before their scheduled separation and educate them on the opportunities available in the Guard and Reserve. In addition, the Reserve components will increase their efforts to manage departures. All Reserve components are achieving success in retention, with year-to-date attrition well below previous years.

The Services accessed 17,909 commissioned officers to active duty in FY 2003. The Marine Corps met its numerical commissioning requirement, with the Army and Navy finishing the year within 1.5% of their requirement. The Air Force finished with a shortfall of 4%, almost exclusively in medical specialty direct appointments. In FY 2004, active duty officer accessions are on track in all Services for numerical success this year. In FY 2003, the Reserve components reduced the shortfall of junior grade officers by adding an additional 1,455 officers to the force.

### Retention

In FY 2003, retention was good. Services met virtually all of their retention goals. The Marine Corps barely missed its goal for retaining first-term personnel and the Air Force fell slightly short of its goal for retaining individuals in their second term of service. Despite extended deployments, long separations, and dangers of combat, soldiers are staying with the Army. This year's FY outlook remains optimistic as evidenced by our 1<sup>st</sup> quarter achievements.

<b>Active Duty Enlisted Retention, 1QTR FY04</b>	<b><u>Reenlisted</u></b>	<b>1<sup>st</sup> QTR Goal</b>	<b>% of Goal</b>	<b>FY04 Goal</b>	<b>FY 05 Goal</b>
<b><u>Army</u></b>					
- <i>Initial</i>	6121	6,141	99.7%	23,000	19,949
- <i>Mid Career</i>	5046	5,276	95.6%	20,292	23,528
- <i>Career</i>	3411	3,330	102.4%	12,808	11,881
<b><u>Navy</u></b>					
- <i>Zone A</i>	63.1%	56%	Exceeded	56%	Not available
- <i>Zone B</i>	76.3%	70%	Exceeded	70%	Not available
- <i>Zone C</i>	88.5%	85%	Exceeded	85%	Not available
<b><u>Air Force</u></b>					
- <i>1<sup>st</sup> Term</i>	67%	55%	Exceeded	55%	55%
- <i>2<sup>nd</sup> Term</i>	75.5%	75%	Exceeded	75%	75%
- <i>Career</i>	97.5%	95%	Exceeded	95%	95%

<b>Marine Corps</b>					
- 1 <sup>st</sup> term	4,351	3,813	114%	5,958	5,850
- Subsequent	2,299	1,407	164%	5,628	5,900

The Services are adequately resourced to meet their retention goals provided the tempo and economic conditions remain at the same level as the last fiscal year. We will be monitoring retention carefully should the tempo increase further, or if economic developments require us to consider implementing additional incentives.

### **Joint Officer Management (JOM)**

The mission requirements of the military are more focused on joint tasks; in fact, Joint Task Forces now define the way in which we array our forces for war and that has filtered down into our training methods. Military organizational structures have evolved to meet these new joint warfighting requirements. The Department's management processes for joint duty assignments, education and training are governed by the 1986 Goldwater-Nichols Act.

Although we have experienced profound success, the operating environment we face has changed since the early days of the Goldwater Nichols Act. In response, the Department is refining our strategic plan for joint officer management, education and training, and is using the ongoing, Congressionally-mandated, Independent Study of Joint Management and Education to help evaluate and validate how we best meet the challenges of the early 21<sup>st</sup> century.

We look forward to working with Congress in strengthening joint management and training. As a modest start, we are proposing several administrative reforms to simplify and streamline processes and program requirements: modifying the definition of a "tour of duty" to count multiple consecutive joint tours as one continuous tour; modifying annual reporting requirements by adding more meaningful metrics for measuring joint compliance; allowing the accomplishment of Phase II Joint Professional Military Education (JPME) in less than 3 months; and making permanent the joint promotions policy objective for the "other joint" category, which includes Joint Staff Officers, to greater than or equal to the Service board average.

The Department is assessing the entire career continuum of officer education and training, including joint requirements, with the goal of reducing the amount of in-residence time required, maximizing viable advanced distributed learning (ADL) opportunities, and integrating joint requirements. We want to train and develop our leaders like we fight—in a joint environment, and we are moving quickly to match policy to today's operational environment. We seek the Congress' assistance in making these changes in law that might be necessary to support those common objectives.

### **Building a Foreign Language Capability**

Lessons from current operations and the Global War on Terrorism have demonstrated the need for increased language ability and accompanying area knowledge within our Armed Forces, and an increased emphasis on languages reflective of the post Cold War threat.

We need to change the way foreign language expertise is valued, developed and employed within the Department, and language needs to be viewed as a military readiness capability. For present and future operations, we need members of the Armed Forces who can understand and communicate in languages other than English. This includes service members with language ability more sophisticated than that routinely achieved through our current language training and public and private education systems. We need a way to equip deploying forces with a sufficient ability to communicate in the language of the land. We also need a plan for surging capability beyond that of the military forces, when required. We need service members and leaders who understand the complexities of languages and cultures in a global society.

Much work needs to be done in this area, and we have engaged a number of studies to inform our decisions. We have already initiated the development and employment of crash courses for troops deploying to Iraq. The Army is executing a pilot Individual Ready Reserve program that targets the enlistment of Arabic speakers for support as linguists.

With over 1,300 faculty and 3,800 students, the Defense Foreign Language Institute's Foreign Language Center (DLIFLC) is the world's largest foreign language school – and our primary source of language instruction. An oft-quoted statistic is that DLIFLC has more faculty teaching DoD's five highest enrollment languages than all U.S. students graduating in those languages nationwide. It is an institution whose product – a language qualified graduate—is critical to global U.S. military operations. Our first area of emphasis is to ensure that this school house can support our language capability requirements.

Our FY 2005 goal is to ensure the center can meet critical requirements by teaching basic language to troops prior to deployment, to improving training development, and to improving the capability to produce linguists with an advanced degree of language competence.

#### **Rest and Recuperation Leave (R&R)**

Over 46,000 Service members and DoD civilians have participated in the R&R Leave Program in support of OIF and OEF. The R&R Leave Program is vital to maintaining combat readiness when units are deployed and engaged in intense operations. Feedback from Service members participating in the R&R Leave Program indicates it is a successful program offering Service members a respite from hostile conditions, an opportunity to leave the AOR, release stress, spend time with their family/friends and return reenergized. R&R Leave will continue to be offered to military members and DoD Civilians deployed in CENTCOM AOR in support of the Global War on Terror at the discretion of the theater commander.

#### **Citizenship**

The Department is working closely with the Department of Homeland Security's Citizenship and Immigration Service to expedite citizenship applications for immigrants who serve honorably as members of our Armed Forces. Approximately 37,000 active duty and reserve personnel are non-US citizens and approximately 7,000 of these personnel have applied for US citizenship. The Citizenship and Immigration Service (CIS) established a special office in their Nebraska Processing Center to expedite military member citizenship applications. Section 329 of 8 USC

provided an exception where the President can authorize immigrants serving in the US Armed Forces during times of conflict to apply for citizenship after three years of honorable service. Public Law 108-87 reduced this waiting period to one year. The average time for processing expedited citizenship applications has been reduced from 9 months to approximately 90 days. The Military Services are informing non-US citizen military members of the opportunity for expedited citizenship through radio and television, press releases and periodic messages through command, personnel, legal and public affairs channels. However, finalizing citizenship requirements for military members overseas has been problematic. We are working with the Citizenship and Immigration Service to expand authority for conducting naturalization interviews and swearing-in ceremonies overseas. In the meantime, the Department of Defense authorizes emergency leave for Service members who need to complete citizenship processing, and seeks to identify members with pending citizenship applications in order to ensure they are processed and finalized before they deploy.

### **Training Transformation**

Our ability to successfully defend our nation's interests relies heavily upon a military capable of adapting to rapidly changing situations, ill-defined threats, and a growing need to operate across a broad spectrum of evolving and emerging missions, including joint urban operations, joint information operations, stability and support operations, and asymmetric warfare. The Services have been highly successful for many years by possessing a training superiority over all real and potential adversaries. We intend to maintain that critical edge in the future by continuing to move our training methods and capabilities beyond those of the Cold War, and to integrate them into a single, focused capability.

Transformed training is a key enabler to transforming this fighting force — and the Training Transformation (T2) Initiative is vital to the Department's transformation efforts. I am pleased to report that since my last testimony to you, the Department, with your assistance, has made significant progress in transforming DoD training to improve joint operations. We have developed and implemented three supporting joint capabilities. Collectively, these capabilities, when mature, will provide a robust, networked, live, virtual and constructive training and mission rehearsal environment that enables DoD to build unparalleled military capabilities that are knowledge-superior and adaptable. First, the Joint Knowledge Development and Distribution Capability (JKDDC) is working to prepare individuals by developing and distributing joint knowledge via a dynamic, global-knowledge network that provides immediate access to joint education and training resources. Second, the Joint National Training Capability (JNTC) is preparing forces by providing command staffs and units with an integrated live, virtual, and constructive training environment with joint global training and mission rehearsal in support of specific operational needs. This January, we completed our initial JNTC Event at the Western Range Complex. It has been deemed a very successful first step with great leadership and support from the Services and Joint Forces Command. Three additional Events will be conducted through the remainder of FY 2004. Lastly, the Joint Assessment and Enabling Capability will develop and three levels of strategic performance assessment to determine: the training value provided by JNTC and JKDDC with regard to Combatant Commander needs; how well training transformation is integrated with Defense wide policies, procedures, and



information systems; and to what degree are the outcomes of training transformation aligned with the Department's strategic transformation goals.

It is not easy to plan and execute complex joint combat operations when the Services have not fully trained in accomplishing those tasks. Consequently, during the January JNTC Event, our forces honed their warfighting skills in joint close air support and other challenging joint tactical tasks that were used on the battlefields of Afghanistan and Iraq. Admiral Edmund G. Giambastiani, Commander, U.S. Joint Forces Command, said it best when he reflected on the importance of JNTC - "What the joint community has been able to do with the JNTC is begin the second wave of training transformation-where we can now link the service training ranges with forces around the country-and in time, around the world-to a common joint environment at the operational level. In a sense, this new training transformation is producing 'Born Joint Training' that seamlessly brings together a combination of live, virtual and constructive capabilities to create a common joint training environment. An important aspect of the JNTC is that it also avoids any additive requirements to Service training...."

We are committed to meeting joint mission requirements of our Regional Combatant Commanders and must ensure that Headquarters and Component staffs deploying to a combatant command are fully trained to joint standards and in the concepts of network-centric warfare prior to their deployment. Our focus is to prepare for joint operations so that we never conduct an operation for the first time in combat.

### **Range Sustainment**

Continued and assured access to high-quality test and training ranges plays a critically important role in sustaining force readiness levels. The Department of Defense has increasingly come to recognize that encroachment issues may limit the military's ability to train as they expect to fight. Urban sprawl, loss of frequency spectrum, restrictions on air space, and endangered species - related restrictions on training lands may cause some restrictions on training. Such constraints force the Services to alter or compromise training regimens. Over the past several years, we have discussed these problems with Congress, and we appreciate your concern and assistance in achieving meaningful solutions. We will continue to work closely with you as we grapple with how best to sustain our training capabilities at the same time we seek to transform our armed forces.

The DoD Range Sustainment Initiative is pursuing a comprehensive solution to encroachment pressures on test and training ranges. The initiative addresses policy, organization and leadership, programming, outreach, and legislative clarification. In addition, the Department has initiated a significant compatible land use and buffer zone planning effort intended to mitigate further range encroachment based on authorities provided to the Department in the FY 2003 Defense Authorization Act.

### **Sexual Assault**

Sexual assault will not be tolerated in the Department of Defense - that message is clear throughout the chain of command. It is a crime that is punishable under the Uniform Code of

Military Justice. Commanders at every level have a duty to take appropriate steps to prevent it, to protect victims, and hold those who commit such offenses accountable.

Each of the Services has sexual assault policies for the health care support of victims. This support is available to service members both in the United States, at overseas duty stations, and in the current deployment theater.

Last summer the Fowler Panel, an independent panel, investigated allegations of sexual misconduct at the Air Force Academy. Their report made recommendations with a single priority in mind: the safety and well-being of the women at the Air Force Academy. Air Force senior leaders are implementing those recommendations now. In addition, the Defense Task Force on Sexual Harassment and Military Service Academies will assess and make recommendations, including any recommended changes in law, relating to sexual harassment and violence at the United States Military and Naval Academies.

However, prevention through education, review and reinforcement of what constitutes sexual assault and related crimes, and their consequences is key. Development and sustainment of working environments that instill trust among all members must begin at the lowest level of leadership and continue to the top of the Department. My Deputy Assistant Secretary of Defense for Force Health Protection and Readiness, Ms. Ellen Embrey, now leads a Secretary of Defense appointed task force to ensure proper command climate and infrastructure support is in place to safeguard the victims of sexual assault.

#### **Domestic Violence/Victims Advocacy**

As with sexual assault, domestic violence will not be tolerated in the Department of Defense. It is an offense against our institutional values and commanders at every level have a duty to take appropriate steps to prevent it, protect victims, and hold those who commit them accountable.

The Department continues to make significant progress in addressing the issue of domestic violence within military families. We remain committed to implementing the recommendations made by the Defense Task Force on Domestic Violence and have made major strides toward that goal. Our efforts encompass a range of activities including legislative and policy change, training for key players in our efforts to prevent and effectively respond to domestic violence, and collaboration with civilian organizations.

We worked closely with Congress last spring and summer to create or change legislation pertaining to transitional compensation for victims of abuse, shipment of household goods for abused family members, and a fatality review in each fatality known or suspected to have resulted from domestic violence or child abuse. These changes are reflected in the FY 2004 NDAA.

The Department has partnered with the Office on Violence Against Women of the Department of Justice for several joint initiatives that include training for law enforcement personnel, victim advocates, chaplains, and fatality review team members. As a part of our collaboration with the Department of Justice, we are conducting demonstration projects in two communities near large

military installations. The goal of the projects is to develop a coordinated community response to domestic violence focusing on enhancing victim services and developing special law enforcement and prosecution units. We know that military and civilian collaboration is critical to an effective response to domestic violence since the majority of military members and their families live off the installations.

The Department partnered with the Battered Women's Justice Project and the National Domestic Violence Hotline to conduct training for the Hotline staff to provide information about the military to enhance Hotline staffs' ability to assist military related victims who contact the Hotline. We are also working with the Family Violence Prevention Fund to develop a comprehensive domestic violence public awareness campaign that will be disseminated throughout the Department of Defense.

We have initiated implementation of 45 of the nearly 200 Task Force recommendations, focusing on recommendations pertaining to victim safety and advocacy, command education, and training key players who prevent and respond to domestic violence such as law enforcement personnel, health care personnel, victim advocates, and chaplains.

We are pleased with the progress we have made but realize there is more work to be done. We are working to ensure that the policies we implement are viable across all Services both in the continental United States and overseas, and minimize the possibility of unintended consequences that compromise the safety of domestic violence victims and their children. We collaborate closely with those who will be responsible for implementing the policies we write to maximize their effectiveness across the Department.

## **Improving DoD Healthcare management**

### **The DoD – VA Partnership**

We have successfully shared healthcare resources with the Department of Veterans Affairs for twenty years, but many opportunities remain. In the past year, we introduced a common national billing rate for our sharing agreements, greatly simplifying administrative issues and paving the way for increased agreements at the local level.

In 2003, the President's Task Force to Improve Health Care Delivery for our Nation's Veterans outlined a broad and substantive agenda to foster even greater collaboration in the coming years. We have taken action on a number of the recommendations already. We initiated a joint strategic planning process, began the process of electronically sharing medical information, identified additional joint contracting opportunities, included the VA as network providers in all of our TRICARE contracts, and other activities to promote access to quality, affordable care for veterans and retirees. In the coming years, greater collaboration on our capital planning and facility life-cycle management efforts will benefit all of our beneficiaries and the American taxpayer.

### **TRICARE – The Military Health Plan**

We have initiated a wholesale redesign of how we will organize, manage and motivate our health delivery system in service to our beneficiaries. In August 2003 we awarded new TRICARE contracts – one major piece of our TRICARE redesign.

*Contracts.* The first step in redesign of TRICARE was to simplify. We reduced the number of TRICARE regions from eleven to three. We reduced the number of contracts from seven to three; and the three TRICARE regions match the geographic span of the three TRICARE contracts. With these new contracts, beneficiaries will realize easier access to care, better customer service and enhanced quality of care. The current and future contractors have committed to smoothly transition every aspect of their responsibilities while maintaining the highest standards of care and service. Throughout the transition, we have promised to keep beneficiaries well informed.

We have “carved out” some major elements of the old TRICARE contracts into separate and discrete contracts. These new contracts will leverage the expertise resident in companies whose core competency is pharmacy management or claims processing or marketing. With this carve out, we have established an integrated pharmacy benefits program that includes a uniform formulary based on relative clinical and cost effectiveness. The national retail pharmacy contract provides for use of federal pricing of pharmaceuticals and will allow better management while improving beneficiary satisfaction by making it easier to obtain prescriptions while traveling.

*Governance.* The new organizational structure of TRICARE will transform and streamline healthcare management to enhance efficiency, productivity and customer service in support of our commitment to the best healthcare possible for all entrusted to our care. The restructuring will strengthen the delivery system through partnering of our MHS personnel and our purchased care contractors. TRICARE Regional Directors will integrate military treatment facilities with civilian networks, ensure support to local commanders, and oversee performance in the region.

We enlarged the role and responsibilities of medical commanders in their local health care markets – the focus for accountability. Commanders will better manage services and support to their patients—activities previously managed by the TRICARE contractor—including patient appointing, utilization management, the use of civilian providers in military hospitals and clinics (i.e., resource sharing providers), and other local services.

The central management effort in TRICARE will be to establish and then manage toward objectives set in annual business plans; plans developed locally and then built into Service and Regional plans. The new Regional Directors have a key role in gaining participation of providers in TRICARE and in implementing the plan to improve TRICARE Standard. This health delivery option has served beneficiaries for over 35 years and we have underway efforts to improve it for those who choose use it. Gaining beneficiary support and satisfying their healthcare needs serve as the objectives for which the TRICARE contracts and organization are designed.

### **Force Health Protection**



The Department of Defense Force Health Protection program is comprised of a broad constellation of activities designed to preserve and protect the health and fitness of our service members from entrance into the military until separation or retirement. Preventive measures, environmental surveillance, and advances in military medicine have supported our worldwide operations with remarkable results. Despite deployments to some of the most austere environments in the world, we have seen the lowest rates of non-battle illnesses and injuries in the history of warfare. This is the result of increased focus, resources, line commitment and service member education.

*Health assessments.* We ensure a healthy force through high medical standards at the time of accession, periodic medical and dental examinations, routine and special-purpose immunizations, and ready access to high quality healthcare. Learning from the Gulf War, prior to and following deployment, service members now receive health assessments to ensure they are fit for deployment and to identify any health issues once they return from deployment. Deployment health records are maintained in the individual's permanent health record and an electronic copy of the post-deployment health assessment is archived for easy retrieval and research. We have begun an aggressive quality assurance program to monitor the conduct of these assessments.

*Immunization programs.* Protecting our forces involves countering potential health threats. Among the numerous preventive health measures in place for our service members today, we have vital immunization programs. These programs offer protection from diseases endemic to certain areas of the world and from diseases used as weapons, specifically anthrax and smallpox. These vaccines are highly effective and we have based our programs on sound scientific information that independent experts have verified. They are essential to keep our service members healthy.

*Medical Technology on the Battlefield.* Last year we introduced elements of the Theater Medical Information Program (TMIP) and Joint Medical Work Station to Operation Iraqi Freedom. These capabilities provide a means for medical units to electronically capture and disseminate near real-time information to commanders. Information provided includes in-theater medical data, environmental hazards, detected exposures and critical logistics data such as blood supply, beds and equipment availability. New medical devices introduced to OIF provided field medics with blood-clotting capability while light, modular diagnostic equipment improved the mobility of our medical forces, and protective gear served to prevent injuries and save lives.

*Medical hold.* One consequence of the pre and post-deployment health assessments is the identification of more service members as medically unqualified for deployment and even for military service. This has generated additional Medical Evaluation Board processing than previously experienced; it has contributed to the large numbers of service members awaiting healthcare and specialty consultations. Another contributing factor to the "medical hold" issue is the number of Reserve Component personnel activated who are determined to be medically unqualified for deployment. The Army has taken a series of actions to alleviate the problem, and has significantly reduced the numbers of individuals in this category. We are committed to deploying healthy and fit service members and to providing consistent, careful post-deployment health evaluations with appropriate, expeditious follow-up care when needed.

*Individual medical readiness.* Among the many performance measures tracked within the Military Health System (MHS) is the readiness health status of individual members, both active and reserve components. Determining individual fitness for deployment and for continued service is an important determination. For the first time, the MHS will track individual dental health, immunizations, required laboratory tests, deployment-limiting conditions, Service-specific health assessments and availability of required individual medical equipment. This tracking should assist in alleviating the Reserve Component medical holdover issues in the future.

*Transition to VA.* After service members return from deployments, healthcare is available through military and VA providers. While our collaborative efforts with the Department of Veterans Affairs span the entire military health system, there is no greater imperative than to ensure we successfully manage the transition of service members from active to veteran status. A significant advance was made with the establishment of the Federal Health Information Exchange, allowing for the electronic transfer of essential medical information. Improved communication and education for service members as well as enhanced case management for patients have improved the transition to veteran status.

### **Readiness Assessment and Reporting**

We are dramatically improving the way we measure the readiness of our military units and support structure—finally answering the elusive “ready for what” question. Our new Defense Readiness Reporting System (DRRS) provides a near real time assessment of military capabilities, and uses this information to improve the way we plan and manage our forces. Our partnerships with United States Pacific Command (PACOM) and the Navy have produced working, scalable versions of measurement and assessment tools over the past year. PACOM designed the Joint Military Assessment Tool to allow organizations from the Combatant Commander-level down to tactical units to assess their ability to perform assigned missions. Navy’s DRRS-Navy expanded PACOM’s effort by including nearly all operational naval units and creating the ability to view related, output-focused metrics. Over the course of the year, we will continue expanding our scope to include key Army units and introduce initial scenario assessment tools into the DRRS suite. We expect to have an initial operational capability for DRRS by September (2004), with a phased implementation throughout DoD over the next three years (2007).

### **Recruiting and Retention of Civilians**

I want to take this occasion to again thank the committee and the Congress for enacting the National Security Personnel System (NSPS) in the FY 2004 NDAA. In developing NSPS, our pledge to you and our workforce is this: our civilian employees deserve a flexible personnel management system, and we will make sure it’s fair.

The purpose of NSPS is to strengthen the ability of commanders and employees to meet their mission requirements in an ever-changing national security environment. A commander has three personnel cadres with which to perform the mission: military, civilian, and contract. The opportunity for the civilian employee and commander to respond rapidly to changing

requirements is seriously compromised by a rigid and fragmented system of civilian personnel management. Additionally, motivation is key to employees performing well on the job and we must change the recognition system to respond to employee concerns that good work is not recognized as it should be. A rigid, slow system of personnel management does not motivate our employees to do their best. Installation commanders have to meet a number of mission objectives and these objectives are constantly changing. NSPS will allow us to develop a more rational personnel management system, provide employees new opportunities, and give commanders and managers more flexibility to accomplish the mission.

In a government-wide survey, DoD employees made it clear that the current personnel system is not working even though they like their work, believe they do it well, and have a good work-life balance. However, only 47 percent said they are satisfied with the recognition they receive for doing a good job, only 40 percent said that creativity and innovation are rewarded, only 32 percent said that the awards programs provide an incentive to do their best, only 31 percent said they are satisfied with the opportunity to get a better job in the organization, and only 26 percent said that steps are taken to deal with poor performers. We can and should do better than that; NSPS gives us that opportunity.

How are we doing in implementing NSPS? We begin with the following tenets:

- We recognize that a new system that is both fair and perceived to be fair is essential to the accomplishment of our mission.
- We recognize that serious collaboration with stakeholders and continuous communication with employees is critical to making the new system work.
- We recognize, as the law prescribes, that NSPS must preserve basic employee protections, including merit principles, veterans' preference, anti-discrimination rules, due process, prohibited personnel practices, and the right to join unions and bargain.

We are committed to implementing NSPS fairly and responsibly. We have established a cross-Component program management office to guide implementation. In January, we met with union representatives to begin the development of a new system of labor-management relations. In February, we provided the unions, upon their request, a concept paper to begin the dialogue and collaborative process. Last week, we met with the unions to discuss these concepts and afford the unions an opportunity to provide their concepts. We are close to identifying those organizations that will initially participate in NSPS. By the end of this calendar year, we plan to begin implementing NSPS within the Department following an intensive training program for supervisors, managers, human resources specialists, employees, as well as commanders and senior management.

### **Taking Care of Families**

Military families are a top priority for the Department, especially those impacted by deployment. The Department is sensitive to the hardships and challenges faced by military families when the Service member is away from home for a long period. Service members perform tough duty in austere locations, while their families deal with the stress and anxiety associated with extended separations. Current deployments necessitate robust support. The military family is an integral

component of the military community and an essential ingredient in military strategy and planning.

America wants to support its troops and families. Service members and families have been almost overwhelmed with the outpouring of support. Donations, such as frequent flier miles to help with family reunions, special televised tributes, celebrity entertainment, and corporate contributions from firms like Home Depot are but a few of the ways America has shown support for its troops. This support has been key to their continuing good morale.

Each of the Services has built a highly responsive family support system that incorporates the best resources available to help families cope with the demands of military life. Reserve families who live across America present a particular challenge. An aggressive effort to reach Reserve families is under way.

Since October 2002, a joint family readiness working group has been meeting to share strategies, identify gaps in service and review lessons learned. This group has promoted the sharing of best practices and pushed to increase mutual support across Service and component boundaries. Consequently, we have seen an increase of shared support and practices carry down to the lower unit level. The working group approach has worked well in facilitating family readiness and creating a mutually supportive network focused on the total force.

Joint collaboration has contributed to widespread increases in support to vital family readiness and support programs to help support Guard and reserve families, including the establishment of approximately 400 National Guard family Assistance centers to augment the family support system and Reserve and Guard component inclusion in the popular Military OneSource program, which provides 24/7 individual and family support. The National Guard has taken the lead for supporting families that are geographically isolated from military installations, working through 54 state and territory offices to provide family support and training. Unit Family Readiness Groups, staffed by volunteers, actively maintain communication with families in outlying areas through newsletters, websites, and direct communication to enhance unit-to-family communication.

#### **Family Assistance Centers**

Family assistance centers have increased operations to unprecedented levels to meet family needs. These centers serve as the primary delivery system for military family support programs, including deployment support, return and reunion, and repatriation for active duty, Guard and Reserve members and their families. Family support programs assist unit commanders, Service members and families affected by deployment and mobilization and directly contribute to mission readiness.

Specifically for reserve families, there has been a tremendous improvement in reserve family access to resources since the 1991 Gulf War. Today, families have multiple sources that may support them while their Service member is deployed, and the Services continue to improve programs and expand outreach in order to make access to support systems even better. Thanks to the National Guard Bureau, over 400 family assistance centers have been brought online to meet the unique needs of our families. These joint centers provide an outreach capability not only to



Guard and Reserve families that are not located near an installation, but they also support the large number of active service and family members who reside off the installation. Civilian community support services available to families range from help with household repairs to financial planning, childcare, legal services, family counseling, and free or discounted services. The Department has also partnered with USA Freedom Corps to facilitate volunteer efforts to aid and assist military families through the Freedom Corps website and volunteer network. Other partnerships have been established with public schools to develop support programs and teacher training materials to meet the unique needs of our military children.

We published a "Guide to Reserve Family Member Benefits," which is designed to inform family members about military benefits and entitlements, including medical and dental care, commissary and exchange privileges, military pay and allowances, and reemployment rights of the service member. The benefits guide is also available on the DefenseLink web site.

We developed a family readiness "tool kit" that contains a wealth of information to assist commanders, service members, family members and family program managers with information to help reserve families, and Guard and Reserve members, prepare for mobilization and deployments.

### **Military One Source**

"Military OneSource" provides a customized approach to individual information and referral services for military families. It is available 24 hours a day, 7 days a week, 365 days of the year, from any place, any time, tailoring services specifically to individuals and individual families. "Military OneSource" is an augmentation, not a replacement, for the family centers that are cherished, and it brings services to all members of the Armed Forces. This includes Reserve and National Guard members and families who do not live on military installations, and often can't take advantage of what DoD has to offer. This service provides all of our Service members and families with immediate information concerning support available on the installation or in their community. We have budgeted \$20M in 2005 to sustain "Military OneSource." The toll-free telephone, e-mail and web site, all include information and referrals on parenting and child care, education, deployment and reunion, military life, health, financial, relocation, everyday issues (i.e. pet care, plumber), work and career, to name a few. Each of the Military Services will have fully implemented the service by the end of FY 2004. Marine Corps was first to stand-up the program and is enjoying positive feedback and results.

Additionally, we are building upon this outreach by implementing a program of prepaid face-to-face counseling for a specified number of sessions. Families who contact the toll-free number but need face-to-face assistance can schedule counseling from a licensed counselor within their immediate geographic area in CONUS. This is particularly important for remote families of mobilized Guard and Reserve units who may also have a deployed Service member and may live a great distance from the programs provided on installations.

### **Child and Youth Development Programs**

Military child development continues to be important to families and remains a top priority for the Department. During Operations Enduring Freedom and Iraqi Freedom, child care presented

a major challenge for the families of deployed troops. To support families during deployment, \$8 million of emergency supplemental funding was used in 2003 to provide over 412 thousand hours of additional child care programs to meet specific mission requirements. Installations provided child care for extended hours on nights and weekends; added drop-in, respite, and mildly ill care; and extended services to the Guard and Reserve. For 2004, \$13.5 million of emergency supplemental funding is designated to continue these vital efforts and to explore new ways to expand child care availability in the civilian community.

In 2003, the Department invested approximately \$400 million to provide over 174,000 child care spaces and is making progress to expand the number of available spaces (in 2003, almost 2,000 spaces, primarily through growth in the family child care program). RAND is in the process of reviewing the child care need formula. The Department has initiated a Business Initiative Council (BIC) effort that will focus on increasing child care spaces in civilian communities through subsidies and partnerships. It is anticipated that sustaining on-base programs while maximizing resources in the civilian community will close the child care gap more quickly than an approach based primarily on construction. The Department's budget of over \$400 million in FY 2004 and FY 2005 reflects a continued commitment to provide child care for military families.

Because deployment of a family member can adversely affect a child's behavior both academically and socially, the Department of Defense has developed several avenues to support children of military families, their parents and the teachers that educate military children. Skilled educators, counselors and mental health workers associated with the public schools attended by military children generally are often unaware of the lifestyle, issues and challenges of the military child. With a focus on the children of deployed personnel, the Department reached out to public school districts to alert them to and engage them in addressing the unique needs children from families in which at least one parent was deployed. Efforts included the development of booklets, posted on a new website, for use by educators and parents. Also posted on the Internet were best practices used by exemplary schools.

DoD has worked with renowned experts, such as Ms. Marleen Wong, a national expert on terrorism, trauma and children, regarding publications, website information and program development for students of deployed families, their parents and teachers. Ms. Wong's contributions to the DoD Educator's Guide to the Military Child During Deployment; Educator's Guide to the Military Child During Post-Deployment: Challenges of Family Reunion and Readjustment; and Parent's Guide to the Military Child During Deployment and Reunion have provided support through information for our military families and educators. Dr. Robin Goodman, a director and psychiatrist at the Child Study Center, New York University School of Medicine, has also contributed her book, Caring for Kids After Trauma and Death: A Guide for Parents and Professions for the benefit of all who serve our children. All publications are on a special website designed to meet the needs of children of deployed parents, [www.MilitaryStudent.org](http://www.MilitaryStudent.org).

#### **Department of Defense Education Activity**

The Department of Defense Education Activity (DoDEA) has been an active partner in supporting students and families during the war. All schools within DoDEA have Crisis Management Teams to assist students and teachers during stressful times. Working in collaboration with military and civilian communities, they provide support before, during and after each deployment.

The Department has a school system to be proud of, and we continue to address quality issues in the areas of curriculum, staffing, facilities, safety, security and technology. Our dependent schools comprise two educational systems providing quality pre-kindergarten through 12<sup>th</sup> grade programs: the DoD Domestic Dependent Elementary and Secondary Schools (DDESS) for dependents in locations within the United States and its territories, possessions, and commonwealths, and the DoD Dependents Schools (DoDDS) for dependents residing overseas. Today, approximately 8,800 teachers and other instructional personnel serve more than 101,000 students in 223 schools. They are located in 13 foreign countries, seven states, Guam, and Puerto Rico. Students include both military and civilian federal employee dependents.

The quality of DoD schools is measured in many ways, but most importantly, as in other school systems, by student performance. DoD students regularly score substantially above the national average in every subject area at every grade level on a nationally standardized test.

In addition, students participate in the National Assessment of Educational Progress (NAEP) tests. NAEP is known as "the Nation's Report Card" because it is the only instrument that permits a direct comparison of student performance between states and jurisdictions across the country. DoDEA students, and in particular its African-American and Hispanic students, score exceptionally well on this test, often achieving a first or second place national rank when compared with their peers.

DoDEA's 2003 graduates were awarded nearly \$33.5 million in scholarship and grant monies for further education. Graduates in 2003 reported plans to attend over 800 different colleges and universities worldwide.

To meet the challenge of the increasing competition for teachers, DoD has an aggressive U.S. recruitment program. The program emphasizes diversity and quality, and focuses on placing eligible military family members as teachers in its schools.

### **Morale, Welfare, and Recreation Initiatives**

The Services have implemented a broad assortment of Morale, Welfare and Recreation (MWR) program initiatives aimed specifically for forces deployed to fight the war on global terrorism and their family members. These include free, MWR operated, internet cafes at 30 locations in Iraq, computers and internet service at home station libraries and youth centers to ensure families can send and receive e-mails from their loved ones who are deployed. Additionally, there has been library book and periodical kits, recreation kits that include large screen televisions, DVD/CD players, movies, up-to-date video games and game CDs, exercise equipment, sports equipment, pool and ping pong tables, movie projectors and first run movies. Auto skills centers

have also set up special programs to assist spouses of deployed personnel with emergency auto repairs.

### **Armed Forces Entertainment**

Armed Forces Entertainment, in cooperation with the United Services Organization (USO), continues to provide much welcomed celebrity and professional entertainment to our forces engaged in the war on global terrorism. Robin Williams, Robert De Niro, Conan O'Brien, David Letterman, Drew Carey, Arnold Schwarzenegger, Gary Sinise, Paul Rodriguez, George Gervin, Kid Rock, Lee Ann Womack, Miss Universe, several NASCAR and WWF stars, and several NFL cheerleading squads are some of the many celebrities and entertainers who have generously donated their time to bring a taste of home to deployed forces.

### **Field Exchanges**

There are 52 Tactical Field Exchanges, 69 exchange supported/unit run field exchanges, and 15 ships' stores in the OIF/OEF theaters providing quality goods at a savings, and quality services necessary for day-to day living. Goods and services offered include phone call centers, satellite phones, internet cafes, video films, laundry and tailoring, photo development, health and beauty products, barber and beauty shops, vending and amusement machines, food and beverages, and name brand fast food operations. Goods and services vary by location based on troop strength and unit mission requirements.

### **Telecommunications**

It is a longstanding DoD practice for Service members to be able to make subsidized or free telephone calls home. The frequency and duration of calls using official phones for Health, Morale, and Welfare calls are determined by the commander so as not to interfere with the mission.

The FY 2004 NDAA requires that prepaid phone cards, or an equivalent telecommunications benefit, be provided without cost to enable Service members serving in Operation Enduring Freedom and Operation Iraqi Freedom to make telephone calls. The telecommunications benefit may not exceed \$40 or 120 calling minutes. The Secretary of Defense may accept gifts and donations in order to defray the costs of the program. The program continues through September 30, 2004.

On the average, 50,000 Health, Morale, and Welfare calls are made each day. As we implement the Act, we are identifying the value of the subsidized Health, Morale, and Welfare calls and continuing efforts with our telecommunications partners to reduce the cost of calls from the theater. We have mounted an information campaign to insure that members choose the most economic calling method available and are looking at more convenient ways for the American public to purchase and donate the best value of calling minutes to service members.

### **Financial Stability**

The financial stability of military families is another initiative that the Department is addressing, particularly in light of large troop deployments and mobilization. To help families achieve financial stability, the Department has embarked on an initiative that combines educating Service



members and their families on using their finances wisely with expanding employment opportunities for military spouses.

The Department has emphasized financial well being through a Financial Readiness Campaign designed to enhance the education and awareness programs of the Military Services through the support of 26 Federal agencies and non-profit organizations. We have already begun to see positive changes in the self-reported assessment of financial condition of Service members. The Department sees that this campaign will evolve into new practices to support Service members and their families. The lessons learned through this campaign will be shared with the National Commission for Financial Literacy and Education, established by Title V of the Fair and Accurate Credit Transaction Act of 2003 and assist the Commission in developing a financial literacy strategy for the nation.

We are employing a similar collaborative approach to improve employment opportunities of military spouses by partnering with federal, state and local governments to address legislative and regulatory barriers that may inhibit financial stability and portability of jobs, and developing partnerships with government, non profit and private sector organizations to increase the number of opportunities available to spouse to develop careers. Through these initiatives the Department seeks to enhance financial stability by promoting consistent reliable sources of income and the ability to use it wisely to support quality of life needs and for attaining future life goals.

#### **Commissaries**

I'd like to thank the Congress for enacting legislation to provide unlimited commissary benefits for Reserve and Guard members. The Department implemented the new authority the same day the President signed it into law. You recognize, as do we, that the commissary benefit is an important and valued component of non-pay military compensation and it is vital to the quality of life of our Service members.

We are working to provide the commissary benefit in the most efficient and cost-effective manner to be able to guarantee that each dollar from the American taxpayer is well spent to support the quality of life of our military members and their families. To do so means new stores may open where warranted, existing stores expand hours and stock assortment, while commissaries that are no longer justified by their customer bases may close or be scaled back.

We believe that lowering the taxpayer subsidy while sustaining and improving the benefit are mutually compatible. Through comparison to commercial industry best practices and performance indicators, we believe we can deliver the benefit in the most efficient and effective manner possible.

We have asked the Defense Commissary Agency to conduct a study to determine the feasibility of adopting variable pricing while sustaining an average 30 percent savings on all products. Industry research and best practice suggest that we could more consistently deliver the desired 30 percent savings to more commissary customers by using this approach.

#### **Casualty Assistance**

The Department continues to explore new methods and procedures to support our family members better during the most tragic of times, the loss of their loved one in the active service to our Nation. One such initiative is the expedited claims process (ECP) with the Social Security Administration. During March 2003, we partnered with the Social Security Administration to study the possibility of institutionalizing the ECP that was so effective in the tragic aftermath of September 11, 2001. The ECP incorporates post-adjudicative development of evidence, as well as the use of a special toll free number for applicants and casualty assistance officers to call when they are ready to file. This process has been extremely successful in providing swift financial assistance to our families. The final results of the pilot program showed the average claims processing time dropped from several weeks to an average of just over two days time. Accordingly, the ECP was made permanent in January 2004 for surviving family members of all active duty casualties. We established a similar arrangement with the Department of Veterans Affairs several years ago. That program, has also significantly expedited the delivery of compensation and benefits to our families who have suffered the greatest loss.

### **Conclusion**

Mr. Chairman, this concludes my statement. I thank you and the members of this Subcommittee for your outstanding and continuing support for the men and women of the Department of Defense. Our objective is to ensure that our Armed Forces remain the best trained, best-equipped fighting force in the world – and that we treat the volunteers who make up the force with respect commensurate with their service, their sacrifice, and their dedication.

**STATEMENT BY**

**LTG FRANKLIN L. HAGENBECK**

**DEPUTY CHIEF OF STAFF G1**

**UNITED STATES ARMY**

**BEFORE**

**TOTAL FORCE SUBCOMMITTEE**

**HOUSE ARMED SERVICES COMMITTEE**

**UNITED STATES HOUSE OF REPRESENTATIVES**

**SECOND SESSION, 108TH CONGRESS**

**MARCH 24, 2004**

Congressman McHugh, Congressman Snyder, distinguished Members of the Committee, thank you for the opportunity to appear before you today on behalf of America's Army. The centerpiece of what we do as an Army is the Soldier. For those brave men and women, I want to express my sincere gratitude for your continued and committed support. As I speak to you today, the Army has embarked upon the largest movement of Soldiers in our history. More than 250,000 soldiers will move in and out of the Iraqi theater in the next four months. What will remain constant however is more than 300,000 soldiers deployed to more than 120 countries. Our Soldiers and Department of Army Civilians remain fully engaged across the full spectrum of the globe and we remain committed to fighting and winning the Global War on Terrorism.

The Army continues to face and meet challenges in the Human Resources Environment. In recent years, Congressional support for benefits, compensation and incentive packages has ensured the recruiting and retention of a quality force. Today, I would like to provide you with an overview of our current military personnel policy and the status of our benefits and compensation packages as they relate to maintaining a quality force.

## RECRUITING

The continuing Global War on Terrorism and engagements around the globe are our first sustained combat operations with our 30 year-old all-volunteer force. Recruiting the Soldiers who will fight and win on the battlefield is critical. These young men and women must be confident, adaptive, and competent; able to handle the full complexity of 21<sup>st</sup> century warfare in this combined, joint, expeditionary environment. We are in a highly competitive recruiting environment; competing with industry, post-secondary institutions and other services for the country's high-quality young men and women.

We have been successful. The active Army and Reserves met their recruiting goals in fiscal year 2003. The Active Army is at 100 percent of its year-to-date fiscal year 2004 mission through January. On 1 October 2003 we began The National Call to Service Program, and 213 recruits have selected this program. The Reserve and National Guard are at 98.7 percent and 94.9 percent of their respective missions. We are recruiting a high-quality force; our high school degree graduates are 96.5 percent of Active Army recruits, 94.0 percent of Reserve recruits, and 84.6 percent of National Guard recruits, year-to-date. We remain confident we will meet the fiscal year 2004 mission due to our recruiting force and incentives.

Our recruiting force is the best in the world. Our accession mission is over 165,000 this year (Active 75,000, Reserve 34,804, and National Guard 56,000) and will increase with the 30,000 temporary manning initiative. We must continue to have Congressional support of recruiting tools, advertising, and incentives. Incentives are a key enabler of the Army's accession mission in terms of military occupational skill (MOS) precision fill, quality, and quantity.



Incentives include Enlistment Bonuses, the Army College Fund, and the Loan Repayment Program.

Bonuses are the primary and most effective tool for MOS precision fill: the accession mission. The bonuses help us react to current market conditions and competitors, today and tomorrow. We are able to use the bonuses to target critical MOSs, the college market, and "quick-ship" priorities.

The Army College Fund is a proven expander of the high-quality market. College attendance rates are at an all-time high and continue to grow, with 67 percent of the high school market attending college within one year of graduation. The Army College Fund allows recruits to both serve their country and earn additional money for college.

The Loan Repayment Program, maximum of \$65,000, is another expander of the high-quality market. Whereas the Army College fund primarily targets those who have not yet gone to college, the Loan Repayment Program is the best tool for those who have college credit and loans. In fiscal year 2003, twenty-four percent of our recruits had some college credit.

The Army's recruiters are most effective when given the proper tools such as incentives, and advertising. The recruiting environment remains a challenge in terms of economic conditions and alternatives. Your continued support with resources, including funding for personnel, incentives, and advertising is necessary to compete in the current and future markets and to ensure our goals are met.

### **Enlisted Retention**

The Army has achieved all retention goals for the past five years, a result that can be directly attributed to the Army's Selective Reenlistment Bonus (SRB) program. The Army re-enlisted 54,151 Soldiers in fiscal year 2003, including 15,213 Soldiers whose enlistments would have expired before September 30.

In fiscal year 2004 alone, the Army must retain approximately 56,100 Soldiers to maintain desired manning. Although we are behind the historical glide path, the Army remains optimistic that we will achieve all assigned retention goals. Thus far, the Active Army has achieved 96 percent of year-to-date mission, while the Army Reserve has achieved 105 percent of year-to-date mission. Meanwhile, the Army National Guard is more than holding its own in FY04 and has reenlisted 137 percent of their year to date mission. We will depend upon a robust SRB Program to enable achievement of our retention goals.

We continue to review the Selective Reenlistment Bonus Program and its association with the retention of sufficient forces to meet combatant commander and defense strategy needs. With recent increase of Active Army strength by up to 30K for the next four years, it is imperative the Army receives complete future funding of the SRB program to ensure program flexibility during the foreseeable future. Developing ways to retain Soldiers directly engaged in the ongoing War

on Terror is critical. We are now using a "targeted" bonus (TSRB) as a tool to attract and retain quality Soldiers. The TSRB aggressively targets eligible Soldiers assigned to units in, or deploying to, the CENTCOM area of responsibility. Soldiers receive no less than a lump sum \$5,000 bonus to reenlist for their present duty assignment while deployed in support of Operations Iraqi Freedom or Enduring Freedom. Introduction of the TSRB on 1 January 2004 caused an almost immediate increase in reenlistments. We anticipate another significant increase occurring in March/April along with the force rotation change over from Operation Iraqi Freedom one to two and Operation Enduring Freedom four to five.

Worldwide deployments, an improving economy, and the Army's Stop Loss/Stop Movement program could potentially affect retention. All components closely monitor leading indicators including historic reenlistment rates, retirement trends, first term attrition, Army Research Institute Surveys, and Mobilization/Demobilization Surveys, to ensure we achieve total success.

Moreover, all components are employing positive levers including Force Stabilization policy initiatives, updates to the reenlistment bonus program, targeted specialty pays, and policy updates to positively influence retention program. Ultimately, we expect to achieve FY04 retention success in the Active Army, the National Guard, and the United States Army Reserve.

## **OFFICER RETENTION**

The Army continues to monitor officer retention rates as an important component of readiness. Overall retention of Army Competitive Category officers improved with increased retention at both the company grade and field grade ranks, with an aggregate fill rate of 103.7 percent. There was a slight increase in attrition for Lieutenants and Colonels, but the attrition rate for Captains decreased almost 3 percent from FY02 to FY03.

The Army has steadily increased basic branch accessions beginning in FY00 with 4000, capping at 4,500 in FY03 and returning to 4300 for FY04 and beyond, to build a sustainable inventory to support Captain requirements. We achieved 4443 accessions in FY03. The Army can meet current and projected active Army officer accession needs through current commissioning sources (Reserve Officer Training Corps, Officer Candidate School, United States Military Academy, and United States Army Recruiting Command). Reserve Component Lieutenant accessions present near and long-term challenges, but the numbers have improved significantly over the past few years, and are expected to continue to improve.

We continue to promote officers at all ranks at or above the Defense Officer Personnel Management Act (DOPMA) goals and expect these rates to continue for the next 2-4 years.

## STOP LOSS

The Army has begun the monumental task of rotating forces in support of on-going operations in Iraq and Afghanistan. Over the next few months, the Army will have eight of its ten active duty divisions either deploying or redeploying from operations in support of the Global War on Terrorism. Consequently, the current and projected operational tempo continues unabated, placing enormous stress on units, Soldiers, and their families. Based on the commitment to pursue the Global War on Terrorism for the foreseeable future, to provide our combatant commanders the force to decisively defeat the enemy, and to ensure our formations are ready for the warfight, required us to re-institute the Active Army Unit Stop Loss program and to retain the Reserve Component Unit Stop Loss program currently in effect.

The two Stop Loss programs currently being used in support of the Army's effort in the Global War On Terrorism are the following.

- **Active Army Unit Stop Loss.** Applicable to all Regular Army Soldiers assigned to organized Active Army units alerted or participating in Operation Iraqi Freedom (OIF) I and II and Operation Enduring Freedom (OEF) IV and V.
- **Reserve Component Unit Stop Loss.** Applicable to all Ready Reserve

Soldiers who are members of Army National Guard or United States Army Reserve and assigned to Reserve Component units alerted or mobilized in accordance with Section 12302 or 12304, Title 10, U.S.C. to participate in Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom.

The Active Army and Reserve Component Unit Stop Loss programs affect Soldiers at the unit's mobilization/deployment date minus 90 days, continues through the demobilization/redeployment date, plus a maximum of 90 days. In the case of the Reserve Component Soldiers the period upon redeployment should be considerably less than 90 days as they go through demobilization processing. For Active Component Soldiers, a maximum of 90 days is used after return of the unit to its permanent duty station to ensure sufficient time for Soldiers to complete mandatory transition, participate in the Army Career Alumni Program, and deployment cycle events/activities.

Department of Defense guidance to the Services is to discontinue Stop Loss policies as soon as operationally feasible. Consequently, our policy requires a quarterly review to determine continuation or termination. As of February 2004, the current Stop Loss program affects a total of 44,535 Soldiers of all Components.

## MILITARY BENEFITS AND COMPENSATION

Maintaining an equitable and effective compensation package is paramount to sustaining a superior force. A strong benefits package is essential to recruit and retain the quality, dedicated Soldiers necessary to execute the National Military



Strategy. In recent years, the Administration and Congress have supported compensation and entitlements programs as a foundation of Soldier Well-Being. An effective compensation package is critical to efforts in the Global War on Terrorism as we transition to a more joint, expeditionary, unit-centered, and cohesive force.

We have made tremendous strides in reducing median out-of-pocket housing costs for our Soldiers. Basic Allowance for Housing (BAH) is intended to provide sufficient recompense to meet the average basic housing needs of all Soldiers based on their Regular Military Compensation. Proposed fiscal year 2005 BAH increases will reduce median out-of-pocket expenses to zero. Our commanders have been instrumental in ensuring BAH program estimates and housing cost data collection are accurate thereby generating allowances to cover the average cost of adequate housing.

The Reserve Components represent a significant portion of the capability of the Total Force and are an essential element in the full spectrum of worldwide military operations. Both the Department and Congress recognize the importance of appropriate compensation and benefits for these Soldiers. Recently, the Department of Defense conducted a Congressionally directed review of compensation for Reserve Component personnel. The study found the 1/30<sup>th</sup> rule appropriate for special pays and incentives and recommended no change to the current manner of authorizing those entitlements. The study does suggest changes to retention bonus structure, housing allowances and foreign language proficiency pay may be appropriate. Additionally, the Department recommends changes to the Montgomery GI Bill, for Guard and Reserve, be considered by the Department of Veterans Affairs. The Department is contracting a study to review reserve retirement including retirement predictability and the effect changes will have on force management.

New legislative changes allow us to provide flexible special pays and incentives to our Soldiers. We will continue to develop programs, which address the unique challenges we face as an expeditionary Army. With Congressional support, we have undertaken a number of initiatives to provide special compensation for our Soldiers who serve their country under hazardous conditions. Increases to special pays, such as Hostile Fire Pay, Family Separation Allowance and the authorization of per diem for family members of seriously injured Soldiers, provide some measure of comfort and support to our Soldiers and their families as we fight the Global War on Terrorism. Recently, the Secretary of Defense authorized new incentive packages for Soldiers involuntarily and voluntarily extended beyond 12 months in Iraq or Afghanistan. The Army provided the involuntary incentive package to approximately 1567 soldiers in units designated by the Secretary of Defense. The Army plans to use the voluntary program for specified intelligence assets and in other situations as warranted.

This year Soldiers in Korea have received additional incentives to improve their well-being. Those Soldiers who are eligible for Family Separation Allowance continue to receive the increase Congress provided. Additionally, surveys supported an Overseas Cost of Living Allowance be granted for Soldiers in



Korea. The Department of the Army recently announced the implementation of Assignment Incentive Pay (AIP) for Soldiers assigned to Korea. This program will enable Soldier stability while enhancing readiness for units stationed in Korea. With limited exceptions, this one year AIP program is being offered to all Soldiers: officer, warrant officer, and enlisted, to promote stability, predictability and improved readiness in Korea while reducing personnel turbulence Army-wide.

We continue to look for ways to compensate our Soldiers for the hardships they and their families endure and we appreciate your commitment in this regard.

#### **FY05 PERSONNEL BUDGET & MANNING:**

The FY05 Budget provides military pay to support an active Army 482.4K end strength (78,500 officers and 399,700 enlisted and 4,200 cadets) and the Reserve Components at 555K end strength. It fully funds the Army Reserve Annual Training (109 K participating Soldiers), Active Guard and Reserve (AGR-14,970 Soldiers), and Individual Manning Augmentees (IMA-6K Soldiers). The Army Reserve is funded at 70 percent of the Inactive Duty Training (IDT) program (83K Soldiers out of 123K participating soldiers). The FY05 Budget funds the Army National Guard Annual Training at 82 percent (170K Soldiers), Inactive Duty Training (IDT) program at 85 percent (194K Soldiers), and Active Guard and Reserve (AGR-25K Soldiers) including 102 Ground Missile Defense (AGR) and 76 AGRs for four additional Civil Support Teams (CST). The FY05 budget also continues the Residential Communities Initiative (RCI) program, bringing the number of installations operating under the RCI program to twenty. This initiative improves the well-being of our Soldiers and families and contributes to a ready force by enhancing morale and retention.

#### **Rest and Recuperation Leave Program**

The Rest and Recuperation (R&R) Leave Program is a highly visible and a critical component of the Army Well Being Program. Rest and Recuperation opportunities are vital to maintaining combat readiness and capability when units are deployed and engaged in intense, sustained combat operations. The R&R Leave program provides a means where by soldiers deployed in the CENTCOM Area of Responsibility are able to temporarily lay aside stress and the rigors of service in a combat zone by returning them home at government expense. To date more than 55,000 soldiers and DoD civilians have participated in the program.

#### **Military Voting Program Status**

The Army has a robust program to assist Soldiers and their family members to vote absentee. The Army Voting Assistance Program provides voting assistance/education to Soldiers, overseas DA civilians and their family members. This assistance includes providing all necessary voting information, voting age requirements, election dates, absentee registration, and voting

procedures. Our goal is 100% contact by providing a pre-paid Federal Post Card Application (FPCA), Registration and Absentee Ballot Request, to every Soldier.

Installation Voting Assistance Officers (VAO's) are required to provide a monthly status report on their Voting Assistance activities and contact progress. These reports are monitored at AHRC level. VAO's are required to complete VAO training, order and distribute voting materials, contact 100% of their Soldiers and provide information and assistance on completion of the FPCA for registration, ensuring Soldiers are aware of the mailing deadlines and which states allow for faxing of registration and/or voted ballots.

For our Soldiers deployed in support of Operations Iraqi Freedom and Enduring Freedom, the VAO CJTF-7 is currently compiling and updating the list of subordinate unit VAO's as forces rotate in and out of theater. He also monitors the subordinate VAO's who have not previously completed training and instructs them to enroll in the on-line VAO training.

The deadline for mailing of FPCA for registration is 15 Aug 04. The deadline for mailing voted ballots from the CENTCOM AOR is 11 Oct 04. If Soldiers have not received their ballot from their state by 11 Oct 04, they can complete the Federal Write-In Application Ballot (FWAB). This ensures the Soldier's vote for Federal level offices is in the mail early enough to be received by the state deadline. This is followed up with mailing of the absentee ballot upon receipt for a more complete field of candidates.

### **Iraqi Theater Mail**

Mail is one of the most critical components to troop morale. Despite our best efforts, we have experienced some problems in OIF/OEF with postal operations. We experienced some immediate backlogs in mail during the onset of the war. Any Service Member Mail Programs were not supported by DoD during OIF/OEF due for force protection reasons. However because of workarounds by the American public this mail overburdened the transportation and mail processing systems. We have made major improvements during OIF/OEF by using contracted commercial aircraft to move military mail versus relying on AMC aircraft. This provided the U.S. Postal Service (USPS) and the Military Postal Service Agency (MPSA) additional control and flexibility in the movement of mail. The current operation includes 250,000 troops dispersed over a large geographical area (Iraq, Kuwait and Afghanistan). The latest average mail transit time data available for mail going to Soldiers in theater- is letter mail received in 12 days and parcels in 13 days. These are considerable improvements over the transit times at the beginning of the war. These are averages, and there are always "outliers" on each end. Currently, all mail facilities are processing within 24 hours of receipt.

The great dispersion of troops for a longer period of time increased the logistical requirements for delivery of mail. At the beginning of OIF mail competed for transportation resources with higher priority items such as food, ammunition and water; thus, causing delays in mail delivery. Throughout Operation Iraqi

Freedom getting the mail to the theater of operations was and is a top priority and we continue to look for ways to improve this most critical aspect of Soldier well being.

### **Survivor Benefits Plan (SBP) Initiatives**

Congress enacted Survivors Benefits Plan (SBP) in 1972 to address the situation of destitute military surviving spouses. Survivors Benefits Plan is the sole means by which survivors can receive a portion of military retired pay following the retiree's death. Participation in SBP allows retirees to elect to receive reduced retired pay during their lifetime in order to provide a portion of retired pay to their survivor(s) upon their death. Soldiers on active duty are covered without cost.

Since its inception, SPB has undergone various evolutions. Last year your efforts improved survivor benefits in active duty death cases significantly enough that all the Services have ceased death imminent retirement processing –a step previously taken to ensure maximum survivor benefits. These enhanced survivor benefits demonstrate to serving members that their families will be cared for, should they make the ultimate sacrifice

### **Conclusion**

Our country continues to face unparalleled challenges at this time and our Army-our son's and daughters, have an unwavering commitment to meet that challenge. I am proud of our Soldiers for their selfless service. We will continue to need your support as we focus on the protracted Global War on Terrorism while fulfilling the manpower needs of the Army. Once again thank you for the opportunity to appear before you today. I look forward to answering your questions.

**STATEMENT OF**  
**VICE ADMIRAL GERALD L. HOEWING, U.S. NAVY**  
**CHIEF OF NAVAL PERSONNEL**  
**AND**  
**DEPUTY CHIEF OF NAVAL OPERATIONS**  
**(MANPOWER & PERSONNEL)**  
**BEFORE THE**  
**SUBCOMMITTEE ON TOTAL FORCE**  
**OF THE**  
**HOUSE ARMED SERVICES COMMITTEE**  
**ON**  
**MILITARY PERSONNEL POLICY, BENEFITS, AND COMPENSATION OVERVIEW**  
**24 MARCH 2004**



## Introduction

Mr. Chairman and distinguished members of this subcommittee, thank you for this opportunity to appear before you again this year to apprise you of our recent successes and ongoing efforts in pursuit of optimum personnel readiness within the world's finest Navy.

On behalf of the men and women of the United States Navy, I would like to express our collective gratitude for your exceptional and sustained support in ensuring we have the right people, both in number and quality, as well as the proper tools necessary to correctly man our current and future Naval forces. Your continuing support of initiatives that provide high quality of service and quality of life for Sailors and their families is among the most influential factors in our success in recruiting the very best young men and women this nation has to offer, and in our subsequent ability to retain them in unprecedented numbers in an all-volunteer force during a time of war. Continued congressional support for improvements in compensation, special and incentive pays, healthcare and quality of service enhancements are sending the right signal – we value your service and we want you to stay Navy. Your support for DOD's Fiscal Year 2005 request for a 3.5 percent basic pay raise, our efforts to transform our manpower structure, and further reduction in average out-of-pocket housing costs, from 3.5 percent to zero, will enhance our ability to properly size and shape the 21st century workforce that is our future.

As Chief of Naval Operations, Admiral Vern Clark, recently informed the full Senate Armed Services Committee, we are winning the battle for people. Higher quality recruits, historic retention rates, innovative incentive pay programs, reduced attrition, competitive reenlistments and detailing, and outstanding leadership have all contributed to making our current workforce the very best the United States Navy has ever seen. Admiral Clark has consistently placed manpower at the top of his priority list and has made sure it is the highest priority of all who serve in positions of leadership. As a direct result of initiatives he has supported, we have retained Sailors at near historic rates, while focusing even more on the quality of both those we keep on the rolls and those we bring in through recruiting. Such efforts have combined to allow us to dramatically reduce accession goals. This, in turn, has saved literally millions of dollars in training replacement personnel while preserving knowledge, skills, abilities and leadership experience within our ranks.

In 2003, we exceeded all aggregate retention goals for the third straight year; our recruiters reached their new contract objective for the 29<sup>th</sup> consecutive month and met our annual active enlisted accession goal for the fifth straight year; we reduced attrition 10 percent from the previous year's levels; and, through decommissioning older, manpower-intensive platforms, improving training and employment processes, and more efficient infrastructure organization, we have further reduced gaps at sea. These accomplishments are helping develop the 21<sup>st</sup> Century workforce needed for *Sea Power 21*, our vision for how we will organize, integrate, and transform the United States Navy as we defend our nation and defeat our enemies in the uncertain century ahead. As Navy's force structure becomes more technical, so must our workforce. Our people will be a more educated and experienced group of professionals in the coming years, and we must properly employ their talents.

CNO has stated that we will spend whatever it takes to equip and enable these outstanding Americans, but we do not want to spend one extra penny for manpower we do not need. This places us at a unique crossroads...Navy manpower today exceeds that which is required to most efficiently and effectively man our current and anticipated force structure. And, our people are better, smarter and more talented than they were in years past but not as good as they will be tomorrow. CNO refers to this as the "genius of our people" and because of it, we can sustain our high degree of combat readiness with fewer people.

*"One thing we have learned in the global war on terror is that, in the 21<sup>st</sup> century, what is critical to success in military conflict is not necessarily mass as much as it is capability."*

**Donald H. Rumsfeld**  
**Secretary of Defense**  
**4 February 2004**

### **Properly Shaping the Force**

As we continue to pursue the kind of new technologies and competitive personnel policies that will eliminate non-productive work, streamline both combat and non-combat personnel positions, improve the two-way integration of active and reserve missions, and reduce the Navy's total manpower structure, we are proposing a fiscal year 2005 end strength reduction of 7,900 personnel. It is important to note that we have deliberately positioned ourselves for this potential success. Navy has historically been a capital-intensive service. "Manning the equipment" as opposed to "equipping the man" has been our traditional approach. But as we introduce in coming years more sophisticated systems that are designed with the human operator in mind, reductions in manpower, and therefore, end strength naturally follow. Personnel reductions will include both uniformed and civilian positions as we shape manpower requirements to match the significant investments of the past several years.

Our force will be smaller and present a "flatter" profile, meaning, we are reducing the number of junior Sailors who historically have performed menial labor tasks, and we are generally increasing the longevity of our force; thereby reducing the costs associated with loss of experience and retraining. The environment in which our Sailors operate is becoming increasingly more competitive and, by extension, more effective. Achieving and sustaining membership in the 21<sup>st</sup> Century Navy is based on the potential for further growth and the ability and initiative to make measurable contributions to mission effectiveness. We are fostering a climate that, while recognizing the importance of all supporting elements, places greater emphasis and rewards on those filling operational roles directly associated with war fighting. We are capitalizing on the ability of the individuals without being constrained by labels of active, reserve, civilian or contractor. We are taking new approaches that, in many cases will de-link unit operational tempo (OPTEMPO) from individual personnel tempo (ITEMPO). At every turn we are carefully targeting the educational needs and desires of our people to enhance their professional and personal competence in a directed manner that supports mission accomplishment and stimulates personal growth and development.

## **The Right Approach**

The path on which we have embarked to properly shape our force structure may appear contrary to conventional wisdom. The prevailing argument seems to be that with a war ongoing against global terrorism, no individual service can afford to reduce the size of its workforce. Nothing could be farther from the truth for the Navy. In fact, we think we can be an even more effective fighting force with fewer people on the rolls than we are today. There are two principal reasons: first, we are fundamentally changing the way in which work gets done. Technology and better manning practices have permitted us to simply accomplish a given task with far fewer people than it might have required even a decade ago. Consider the manning of one of our destroyers, which now requires a crew of 320, but in the future will be manned a crew of 165. Secondly, we are approaching manpower from a Total Force perspective, closely evaluating not only the relevance of a given task to combat capability, but whether or not that task is best performed by an active duty or reserve Sailor, a civilian employee or a contractor. If it doesn't contribute to combat readiness and if it doesn't need to be done by a Sailor or one of our talented civilians, we don't need to be doing it. At its heart, this is requirements-driven force shaping. We know that the non-productive work must go before the personnel numbers can be significantly reduced over time.

We are reducing excess infrastructure, mostly at large shore installations, that is not immediately and directly tied to the fleet. Most importantly, we are eliminating non-productive work before removing the people. We are abandoning a Cold War era industrial-age manning construct that no longer makes sense in an information-rich world...or against the diverse threats now facing our national security. This is all about how best to employ precious human resources; making sure highly talented Sailors are not engaged in low production work.

## **Sea Warrior: Investing in Sailors**

*Sea Warrior*, the manpower component of *Sea Power 21*, implements Navy's commitment to the growth and development of our people. It serves as the foundation of war fighting effectiveness by ensuring the right skills are in the right place at the right time. Traditionally, our ships have relied on large crews to accomplish their missions. Today, our all-volunteer force is developing new combat capabilities and platforms that feature dramatic advancements in technology and reductions in crew size. The crews of modern warships are streamlined teams of operational, engineering and information technology experts who collectively operate some of the most complex systems in the world. As optimal manning policies and new platforms further reduce crew size, we will increasingly need Sailors who are highly educated and expertly trained. *Sea Warrior* is designed to enhance the assessment, assignment, training and education of our Sailors. Our fiscal year 2005 request sustains our *Sea Warrior* momentum to change the tools used to assess mission accomplishment and individual growth:

- ***Innovative personnel employment practices*** are being implemented throughout the fleet.
  - ✓ **Optimal manning** – Experiments in USS BOXER (LHD-4), USS MILIUS (DDG 69) and USS MOBILE BAY (CG 53) produced revolutionary shipboard watch standing practices, while reducing overall manning requirements and allowing Sailors to focus on their core responsibilities. The fleet is implementing best practices from these experiments to

change Ship Manning Documents in their respective classes. Optimal manning means optimal employment of our Sailors.

- ✓ *Sea Swap* – Building on the success of the first crew change in USS FLETCHER (DD 992) in Fremantle, Australia, we expanded the *Sea Swap* initiative to four SPRUANCE-class destroyers (DD) and three ARLEIGH BURKE-class guided missile destroyers (DDG). The *Sea Swap* initiative has saved millions of dollars in transit fuel costs and increased forward presence without lengthening deployment times for our Sailors.

- *Commander, Naval Installations (CNI) Command* – Established this past October, CNI is responsible for consolidation of all Shore Installation Management Functions (SIM), e.g., facility maintenance, firefighting, security, mail services, etc. It serves as a single and centralized advocate for shore installations, to establish Navy-wide business practices and generate savings for future investments. The overarching objective is to eliminate redundancy in the SIM process and enable activities to focus on their respective technical missions. CNI's core responsibility is to provide uniform program, policy and funding for the management and oversight of shore installation support to the Fleet. CNI is an important tool in implementing changes in the Navy's internal framework as well as rationalizing Navy's infrastructure within the larger context of Department of Defense transformation initiatives.
- *Fleet Response Plan (FRP)* – Our nation must provide for homeland defense, while concurrently being forward deployed and ready to surge to deliver overwhelming and unparalleled combat power wherever and whenever needed. In response to this mandate, CNO launched the FRP. This innovative approach allows us to surge about 50 percent more combat power on short notice, while simultaneously reducing some of the personnel strain of forward rotations. The FRP allows us to consistently deliver six forward deployed or ready-to-surge Carrier Strike Groups (CSGs), almost immediately, plus two additional CSGs in the basic training phase in 90 days or less (6+2). To make this work, we have fundamentally reconfigured our employment policy, fleet maintenance, deployment preparations and fleet manning policies to expand operational availability of non-deployed fleet units. We have shifted the readiness cycle from one centered solely on the next-scheduled-deployment to one focused on returning ships to the right level of readiness for both surge and deployed operations. The net result is a fleet that is more ready, with more combat power, more quickly than was possible in the past.
- *Integrated Readiness Capability Assessment (IRCA)* – IRCA was developed to permit us to more carefully examine our readiness processes. Starting with the FRP, we took a hard and realistic look at what we need to deliver required combat readiness. The IRCA helped us understand the collective contributions of all components of readiness, accurately define requirements, align the proper funding and provide a balanced investment to the right accounts. It improved our visibility of the true requirements and gave us a methodology by which to assess and understand acceptable and unacceptable risks to our readiness investments. The bottom line is – we have carefully defined the readiness requirement and identified those areas where we can streamline or cease activities that do not add to readiness.

*"We will deliver the right readiness at the right cost to the nation."* Admiral Vern Clark



**Chief of Naval Operations**  
**10 February 2004**

- **Professional Military Education (PME)** - We are taking a more comprehensive approach toward educating our people than we have done in the past. Our PME program will allow us to fully incorporate personal growth and development as part of our mission. We are broadening the professional and intellectual horizons of our members to better prepare them to operate tomorrow's fleet and to assume key naval and joint leadership roles. The PME continuum we are developing, will integrate general education, traditional Navy-specific Professional Military Education (NPME) and Joint Professional Military Education (JPME) curricula.

Service college education for our officers also continues to be a priority. We remain committed to filling 100 percent of domestic service college seats, at both the intermediate and senior levels. Additionally, we are continuing to increase the number of officers completing the Naval War College JPME Phase I curriculum as part of their post-graduate education experience at the Naval Post Graduate School in Monterey, CA. Navy has also established a partnership with the Air Force to provide 300 Navy Lieutenants the opportunity to complete the Air Command and Staff College non-resident program. Recognizing the importance of a service college experience, each of our Unrestricted Line communities is reviewing their officer development career paths to ensure our officers have an opportunity for resident education, to include JPME, as they progress through their careers. These efforts will result in more top quality officers better prepared for leadership roles that await them.

- **Human Performance Center (HPC)** has been established to optimize naval war fighting performance by applying the Human Performance Systems Model and the science of learning to all facets of naval operations. In doing so, we will eliminate barriers to achieving required performance and ensure that training solutions are effective, thereby, saving money and improving readiness.
- **Integrated Learning Environment (ILE)** is a family of systems that, when linked, will provide our Sailors with the ability to develop their own learning plans, diagnose performance strengths and weaknesses, and tailor education to support both personal and professional growth. Most importantly, these services will be provided anytime, anywhere via the Internet and the Navy-Marine Corps Intranet (NMCI).
- **Five Vector Model (5VM)** – is an innovative assessment tool currently in use to improve the professional development and growth of our Sailors, both officer and enlisted, active and reserve. The enlisted tool is being used at this time and the officer tool is under development. The 5VM in coordination with the Career Management System (CMS), will use the latest in systems technology to create an integrated career management tool allowing Sailors to more successfully plan and execute their careers, and then reap the rewards of serving. Accessed through Navy Knowledge Online (NKO), the 5VM is both a roadmap and a resume, showing Sailors what they need to know, when they need to know it, and how to go about getting that knowledge, skill or ability. Tailored to each individual, it offers a single point of access for all information and resources related to planning and managing

their professional and personal lives. Sailors can access their professional and personal development, leadership, certifications and qualifications, and performance vectors. As each vector requirements, or milestones, are plotted, these are linked to the supporting courses (residency, computer-based, Web-delivered), tools and available resources. Based on achieved milestones, the 5VM tracks a Sailor's ranking among his or her peers; identifies promotion potential and feeds various databases from which the electronic training jacket is created. Through the 5VM, Sailors will also link to the CMS to identify duty assignments that will best meet their individual development and promotion needs, as well as alternative duty assignments and non-military educational opportunities. Sea Warrior will ultimately bring together the 5VM and CMS to create an integrated detailing system, allowing Sailors to apply for duty assignments online.

### **Navy Manpower and Personnel Strategy (N-MAPPS)**

We decided several months ago to adopt the Balanced ScoreCard management system as a means of translating our organizational strategy into action and better focusing our activity and budget decisions on achieving our strategic priorities. Under our own brand, N-MAPPS, the Balanced ScoreCard approach provides an effective means by which to measure the things we do against the performance outcomes we expect. For example, one goal is to improve the quality of the force. We need to be able to say *how* we are going to do it as well as how we will know when we have successfully achieved our goal. In this way we will be better able to measure our success and determine whether or not the goals we set for ourselves were the right ones. Using techniques on how to improve government efficiency employing Balanced ScoreCard, we have streamlined our strategy map, making it tighter and more focused. We are also honing our metrics, paring them down to those most essential, as well as sharpening the tolerances. With the proper emphasis on how to measure success, ensuring that we measure the right things, in the right numbers and within appropriate tolerances, we are sure to reach the right conclusions.

### **How We Will Get There**

We have a variety of tools currently available to us that we will employ to ensure we make the right decisions about whom to retain and in what skills and who we separate:

- ***Perform to Serve (PTS)*** - Last year, we introduced PTS to align our Navy personnel inventory and skill sets through a centrally managed reenlistment program and to instill competition in the retention process. Most Sailors are authorized to reenlist within their current ratings, because that is where we need them most, it's cost-effective and it benefits our readiness posture. Others, however, will be encouraged to convert from ratings in which we have excess inventory, to undermanned ratings where vacancies are really hurting us. Those Sailors asked to convert will be provided with the necessary training to ensure their success in their new skill areas and they may be eligible for a bonus upon incurring a specified period of obligated service to work in that rating. As you can see, we further enhance readiness in this way, because, by moving experienced and disciplined Sailors from overmanned skill sets into undermanned skill sets, we are balancing our force profile, while capitalizing on the investments we have made in these proven professionals by keeping them in our ranks. The pilot program has proven so successful in steering Sailors in overmanned

ratings into skill areas where they are most needed, that the program has been expanded. More than 16,000 Sailors have applied to reenlist through PTS since the program began just one year ago and we will continue this effort in 2005.

- **Lateral Conversion Bonus (LCB)** – Another available method relies on a tool authorized in last year's Defense bill that we refer to as the Lateral Conversion Bonus. While PTS focuses on rating conversions at the end of a Sailor's service obligation, LCBs would be targeted at Sailors we need to convert to undermanned ratings in the middle of a period of obligated service. The benefit to this approach is that, the sooner we can get them into the skill areas in which we need them, the sooner we begin to realize a return on investment, in terms of enhanced personnel readiness...and that's what we're all about. Earlier conversion also accelerates their competitiveness and enhances their chances for advancement within their new rating.

PTS and LCB were emphasized first because we want you to know that we place great value on the professionalism of our dedicated and experienced Sailors. We will make every reasonable effort to retain these Sailors by considering them for rating conversion prior to any decision to release them from our ranks. It makes good sense from a readiness perspective and it is responsible stewardship of taxpayer dollars to do so. Additionally, it keeps faith with those who voluntarily serve, and their families, by affording them the opportunity to remain a part of our team even if the job they originally enlisted in the Navy to perform is no longer needed. These methods have shown great utility in our efforts to shape the force for the 21<sup>st</sup> century.

- **Assignment Incentive Pay (AIP)** – Authorized in the Fiscal Year 2003 Defense bill, AIP attracts qualified Sailors to a select group of hard-to-fill duty stations. It allows Sailors to bid for additional monetary compensation in return for service in these locations. An integral part of our *Sea Warrior* strategy, AIP is enhancing combat readiness by permitting market forces to efficiently distribute Sailors where they are most needed. Since the pilot program began last June, more than 1,100 AIP bids have been processed, resulting in 238 Sailors receiving an average of \$245 extra pay each month. More importantly, challenging duty assignments have been filled without forced assignment of service members contributing to our improvements in quality of service.
- **Selective Reenlistment Bonus (SRB)** – While we have enjoyed much success in our retention efforts of recent years, we must not presume that we can rest on these accomplishments or surrender to the notion that the tools that made such successes possible are no longer needed. SRB authority has come increasingly under fire because of the funding required to support it. This has been, and continues to be, our most valuable incentive, directly responsible for much of our unprecedented retention successes in the key skill sets required to maintain our combat readiness. Indeed, SRB adjustments were repeatedly refined last year to improve manning within specific skills (Navy Enlisted Classification (NEC) Codes), vice overall ratings. The direct cost avoidance associated with not having to access, train and grow replacement personnel far outweighs the funds expended to retain Sailors in critical skills using the SRB. Added to that is the costs we would have paid in decreased personnel and military readiness, had we not been so successful in retaining these outstanding professionals in needed ratings. I strongly encourage your continued support for

this vital program. I cannot overemphasize the importance that it continues to play in the readiness and capability you observe in our Navy today.

- ***Military to Civilian Conversions*** – We are conducting a careful review of military billets in our shore infrastructure to determine if they truly require a Sailor, or if the task could be performed as effectively, and at lower cost, by a civilian or by private industry. We want to emphasize shore billets where Sailors need, and continue to hone, those skills required by the fleet. In conducting this review, we are using several tools, for example: “zero-based reviews” of individual officer communities and enlisted ratings, functional reviews of service delivery for various infrastructure requirements, and a review of the model for providing total force health care requirements. We will phase in the results of this analysis to ensure that Sailors continue to have a career path that supports professional growth and that we continue to support the fleet with an appropriate mix of manpower.

To achieve the necessary end strength to match manpower requirements necessary to support our combat readiness requirements, additional methods of shaping the force are currently available for use. These methods, though not preferable, may be used to achieve our manpower goals. We are exploring methods that would allow voluntary decisions by Sailors in targeted skill sets to “right size” the force to match manpower requirements. The tools that are being explored would allow us to effectively, and more precisely, shape the force while contributing to continued success in recruiting, retention and quality of service, thereby avoiding the adverse impacts experienced as a result of using such draconian involuntary separation methods during the post Cold War drawdown.

#### **National Security Personnel System (NSPS)**

Last year, Congress authorized NSPS, a new, more flexible, more user-friendly, personnel system, which will undoubtedly help us better manage our civilian workforce. Navy has offered to serve as the testing ground to launch this new and innovative federal employee management system, and we are confident that it will contribute immensely to our ability to get the best-qualified, best-trained, best-educated and most highly motivated civilian federal employees into key positions that are integral to our Total Force manpower effort. It is imperative that we have the kind of flexibility this system affords us as we identify, through such innovative tools as the previously mentioned IRCA, positions currently filled with uniformed personnel that could more appropriately be performed by talented professionals in the civilian workforce, freeing up Sailors to fill positions more closely tied to fleet operations.

We are in the initial stages of identifying competencies required by our civilians to support current and future work requirements. This competency identification provides the basic structure for workforce development, recruitment, succession planning and strategic human capital planning. It also provides a framework supportive of the National Security Personnel System and the changes Navy needs to make in the performance planning process. We believe these changes to how Navy manages its human capital will enhance employee work-life and demonstrate that Navy is an “employer of choice”.



For Sailors ready to leave the Navy, we continue to remind them that Navy is an “Employer of Choice” in the civilian world to our mutual benefit. As we expend significant effort and resources to recruit the best and brightest into the Navy, and subsequently in their training and leadership skills, it stands to reason that when these professionals leave the Navy, they are among the most attractive and logical applicants for potential placement in civilian positions. They have a great education, thanks to our PME program that allows us to fully incorporate personal growth and development as part of our mission. Their leadership skills are unparalleled since we have invested in broadening their professional and intellectual horizons in order to better prepare them to operate tomorrow’s fleet and to assume key naval and joint leadership roles. There are many employers who make the mistake of investing in the career development of employees only to lose their talent and experience to employers elsewhere. After investing in Sailors’ career development for many years it makes sense to encourage them to continue contributing to Navy as a civilian employee. In doing so, we retain the knowledge, skills and abilities they acquired through years of service and specialized training in the Navy.

### **Diversity**

Navy has embarked on a more strategic approach to managing the diversity of our force. During the past year, we have concentrated on three main areas: understanding the current diversity environment, defining our strategic diversity framework, and making a commitment to execution. The implementation plan is concentrated in four major areas, each of which is led by a specific work team: Accessions, Training and Career Development, Organizational Alignment, and Communications. We will also establish a Senior Diversity Leadership Forum that will include membership from the highest levels of the Navy, as well as distinguished leaders of the civilian community. This forum will monitor the execution of our efforts. We envision it becoming the model for our Government and our nation in this critical endeavor. Further, the Diversity Visioning Group, which was formed last year to develop the Strategic Framework for Diversity, will evolve into the Fleet Diversity Council, continuing to lead the effort on the waterfront.

Implementation of the strategic plan will be a multi-year effort that will require us to remain engaged and steadfast. Change will be achieved over time, with continued diligence, commitment and execution from all hands. Evaluating and communicating progress will be key to ensuring we stay the course and succeed. Achieving key milestones, derived from the implementation timelines, we will provide a structure from which to assess progress and identify critical junctures. Implementation milestones will also serve as incremental measures of change and provide opportunities for ‘small wins’ to be celebrated. The end result, we believe, will be the ability to sew diversity into the fabric of our Navy’s culture.

### **Health of the Officer Corps**

While we have made significant inroads in addressing many officer community shortfalls that plagued us for a time after the post Cold War drawdown, we continue to experience specific challenges in our efforts to retain the correct numbers and skill mix of war fighters within our unrestricted line community.

**Surface Warfare Officer (SWO) Community** - Retention among Surface Warfare Community department head (mid-grade) officers, typically with 6-10 years experience, has been a problem since Fiscal Year 1993. Community management of officers in year groups (YGs) 1994-98 remains a challenge as we strive to ensure annual O-4 requirements are met and preclude excessive department head tour lengths. How successful we are will directly influence the career decisions of division officers approaching the end of initial service obligations. Meeting department head requirements is essential to ensuring a sufficient inventory of post-department head officers to support shore requirements at the O-4 level. We closed Fiscal Year 2003 with shortfalls in meeting our control strength goals. Implementation of a Surface Warfare Critical Skills Bonus has contributed towards reversing the downward trend in retention among O-4 SWOs. An aggressive program of engagement with junior officers and tying key graduate education programs to department head billets has helped mitigate the problem. This, along with a program that accelerates assignment of our most promising division officers to department head billets afloat, is helping ease the adverse effects of undermanned YGs in today's department head inventory. Availability of sufficient numbers of quality department heads to serve in the fleet remains the community's top priority.

Surface Warfare Officer Continuation Pay (SWOCP) continues to contribute to improved retention among these skilled and highly sought after fleet-experienced officers. The number of officers committing to serve as at-sea department heads continues to be encouraging and validates the effectiveness of SWOCP. We closed out Fiscal Year 2003 meeting 90 percent of department head requirements and have over 90 percent of department head school seats filled. The SWO career path nominally contains a two-year shore tour prior to an officer returning to sea as a department head. This is where most SWOs make their first career decision on whether to commit to serve as department heads. SWO retention is measured at nine years of commissioned service (YCS). Retention improved to 31 percent in Fiscal Year 2003, but remains below goal. Early commitments and take-rates for SWOCP by YG-97 and later foretell continued improvement in SWO retention. Due to lower-than-historical retention following the Cold War, and under-accessing several year groups at the height of the drawdown, SWO community retention must be at least 35 percent to fully support department head at-sea requirements, while 38 percent (goal) will restore much needed selectivity and flexibility in the distribution process.

**Submarine Warfare Officer Community** - Submarine community, officer accession and retention requirements are based upon manning at-sea billets. Changes in the force structure directly impact at-sea billet requirements and increase necessary out-year accessions and retention. Submarine force structure projections were increased the last two years, following a decision to convert, vice decommission, four SSBNs to SSGNs, resulting in eight additional crews being retained in the force structure. The impact of additional force structure is felt most significantly at the department head level. This increases our accession mission, to meet future requirements, and our retention requirement, to fill the near-term increase in department head requirements. The submarine community measures retention as the continuation rate of officers from three to seven YCS, for a particular YG. This provides a measure of officers available for assignment to submarine department head, nominally at the eight YCS point. Fiscal Year 2003 (YG-96) retention was 43 percent, which exceeded a 41 percent goal required to return department head tour lengths to 36 months. Although retention has improved in the near term,

under-accessed year groups (YG-97 and YG-98) are approaching their “stay-leave” decision windows (7 YCS), and retention requirements for these year groups average 40 percent to meet department head manning requirements. For example, YG-97 will require a 43 percent retention rate just to meet requirements for that YG.

Nuclear Officer Incentive Pay (NOIP) has proven to be an effective tool in shaping submarine officer retention. NOIP rate increases in Fiscal Years 2001 and 2003 favorably impacted YG-96 retention. The 2001 increase yielded a 25 percent increase in the number of contracts executed for YG-96 compared with YG-94. The 2003 increase further boosted contracts executed to 41 percent. Continued stiff competition from the private sector for these officers remains a significant cause for concern. Submarine officers possess highly specialized and unique skills associated with their lengthy and costly technical training. Having graduated at the top of their classes from some of the nation’s premier educational institutions, these officers are aggressively pursued for positions in a variety of career fields, many of which are outside the nuclear power industry. Inadequate retention imposes extension of demanding sea tours on officers still serving in order to meet safety and readiness requirements. Excessively long department head tours adversely impact junior officer retention creating a downward spiral. NOIP remains the surest and most cost-effective means of achieving required retention. With forecasts predicting substantial economic growth, and under-accessed YGs approaching department head tours, we must maintain competitive retention incentives so that we can lead, vice chase, the retention challenge.

***Naval Special Warfare (NSW)/(SEAL) Officer Community*** - The retention metric utilized for SEAL officers is the average retention of officers with 7-10 YCS. SEAL officer retention requirements are necessarily high to meet the demand for a relatively large number of Joint and Navy staff officer assignments for SEALs in pay grades O-4 through O-6. While we have sufficient numbers of volunteers for the SEAL officer program, accessions are limited due to the finite number of junior officer operational assignments. Navy implemented a Special Warfare Officer Continuation Pay (SPECWARCP) for officers with 6-14 YCS, and whose continuation is important to the health of the NSW community. Each of the first three years this was offered, the results exceeded the projected 74 percent goal of eligible officers to contract. While many of those contracts during the first two years were one and three-year contracts, indicating a number of officers remained uncertain about their long-term service plans, contracts for Fiscal Years 2002-03 tended to reflect longer commitments due to a contract rate-realignment. This coupled with increasing accessions beginning in Fiscal Year 1995, has contributed to community stability and a favorable long-term retention outlook. Additionally, realignment of SEAL Teams under Force-21, creating more operational opportunities among mid-grade officers, is expected to further increase overall retention since most individuals enter NSW to serve as war fighters.

***Aviation Warfare Officer Community*** - Naval aviation retention in Fiscal Year 2003 was 49 percent through department head (12 YCS), surpassing last year’s mark by six percentage points. Continued improvement can be partially attributed to four consecutive successful years of our Aviation Career Continuation Pay (ACCP) program and the sluggish economy. Aviators retained above Fiscal Year 2003 required CCR, will help alleviate expected shortfalls this year. Required retention rates due to the T-Notch, caused primarily by under-accessing year groups during the drawdown, exceed 55 percent this year and will peak at 81 percent in Fiscal Year



2005, as under-accessed year groups enter their department head tours. Additionally, these ambitious, but necessarily high retention goals clearly illustrate the importance of retaining as many junior aviators as possible. Naval aviation shortages are due to a combination of low accessions, increased time-to-train and retention rates below requirements between Fiscal Years 1996-99.

To maintain optimum combat readiness, Navy has identified and prioritized billets to ensure operational sea duty billets are manned at 100 percent. Next in priority are production billets ashore (pilot and Naval Flight Officer training). Aviator tour lengths have also been adjusted to ensure billet prioritization is maintained. We have been working aggressively to reduce time-to-train as well as increase aviator production throughput in the training command and Fleet Replacement Squadrons. By accessing to meet steady-state requirements, rated aviator shortages will begin to diminish by Fiscal Year 2007 and should be alleviated when fully accessed year groups enter their department head tours in Fiscal Year 2012 and beyond.

ACCP continues to be our most efficient and cost-effective tool for stimulating retention behavior to meet current and future requirements and overall manning challenges. Recent indicators of recovery within the airline industry, which may be expected to lead to increased hiring, suggest the need to continue offering competitive ACCP to address the continuing aviator shortfall and anticipated increasing challenges to aviator retention efforts. Targeted, stable, efficient and judicious use of limited resources are hallmarks of Navy's ACCP program, which continues to offer the incentive necessary to stabilize our aviation manning profile; thereby sustaining operational combat readiness within Naval aviation.

#### **Maintaining a Vibrant Recruiting Program**

***Enlisted Recruiting and a Healthy Delayed Entry Program (DEP)*** - As mentioned earlier, Navy Recruiting experienced a highly successful year in Fiscal Year 2003 and this success has continued through the first quarter of Fiscal Year 2004. A lower accession mission, professional and properly resourced recruiting force, and favorable economic conditions have all contributed to this success. Improving economic conditions and increased emphasis on higher recruit quality have not hurt overall recruiting efforts, thus far. Despite the fact that retention successes have allowed us to reduce the accession mission over the last several years, we must remain ever vigilant that prevailing winds could change quickly, for any number of reasons, necessitating a sudden surge in our recruiting goal. Economic conditions that have proven so favorable to Navy retention and, likewise, recruiting successes, are not expected to continue. The 6.4 percent national unemployment rate of June 2003 decreased to 5.7 percent by December and is projected to continue declining over the next two years. With such uncertainty looming on the recruiting horizon, it is critical that advertising and recruiting budgets remain sufficiently robust to adjust for swiftly improving economic conditions, but also to support continued pursuit of increasing recruit quality. Despite declining accession goals in recent years, the smaller more technical force we are building mandates additional emphasis on recruit quality and education.

Our success in meeting new-contract-objective has helped to restore the health of our DEP, which signals a high probability of long term recruiting success. It has also allowed us to focus more closely on meeting goals for critically manned ratings. We were able to remove 41 ratings



from the critically manned ratings list this past fiscal year and we recruited greater than 95 percent of the mission in five of the six remaining critically manned ratings. Another major advantage of a strong DEP is that it provides a strategic opportunity to improve recruit quality. Higher quality recruits are less likely to attrite during the first term of enlistment and are better suited for the increasingly technical 21st Century Navy. A healthy DEP posture alleviates the necessity for crisis-managing each month's accession mission, permitting recruiters to be more selective in the quality of recruits processed. Recruit quality is primarily measured by the percentage of High School Diploma Graduates (HSDGs), recruits scoring in Test Score Categories I-IIIa (CAT I-IIIa) or the top half on the Armed Forces Qualification Test (AFQT), and recruits possessing prior college experience.

In Fiscal Year 2003, we accessed 94.3 percent HSDGs, a significant improvement from the previous year's level of 91.9 percent and well above the DOD minimum standard of 90 percent. We accessed 65.7 percent CAT I-IIIa recruits against a DOD minimum standard of 60 percent and we achieved a 40 percent increase in the percentage of recruits with prior college experience. We are confident in our ability to improve upon these positive trends; therefore, we have set this fiscal year's bar even higher, 95 percent HSDGs, 67 percent CAT I-IIIa, and a 20 percent increase in the percentage of recruits with college experience. Through December 2003, we are on track to meet each of these objectives. Of particular note on the quality front, last fiscal year, 43.8 percent of African American recruits were in CAT I-IIIa. During the first quarter of Fiscal Year 2004, 52.4 percent of African Americans who have accessed, or who are contracted to access, are in CAT I-IIIa, allowing greater diversity representation among Navy's more technical ratings.

***Penetrating the College Market*** - In Fiscal Year 2003, Navy accessed 7.8 percent recruits with prior college experience, largely attributable to aggressive recruiting efforts on junior college campuses. However, the need to improve college market penetration in the future will likely present a formidable challenge without incentives targeted towards college youth. . As ships and aircraft become increasingly technically complex, the Navy's need for recruits with college experience and advanced vocational and technical training is increasing dramatically. The Chief of Naval Operations (CNO) Strategic Studies Group has foreseen a requirement for Navy to recruit 40% of its enlisted force through programs that result in an Associates Degree or directly from the Associates Degree market. Navy is exploring the need for authorities that would provide increased access to this market which is expected to become of significant importance to our future recruiting requirements.

***Officer Recruiting*** - Fiscal Year 2003 proved successful for active officer recruiting, as well. We met 23 of 24 officer community goals, including all goals in the unrestricted line, restricted line, and staff corps communities. We anticipate similar levels of success this fiscal year. Dental Corps, in which we attained only 67 percent of mission, was the only officer community that did not achieve annual goal. We continue our efforts to increase minority recruiting into the officer corps to more closely mirror diversity representation among Americans receiving Bachelor's degrees. We increased minority officer new contracts from 17.9 percent to 21 percent between Fiscal Years 2002 and 2003. Through the first three months of fiscal year 2004, we achieved 24.8% minority officer new contracts. Hispanic and African American

communities comprise the largest proportion of improvements between Fiscal Year 2002 and the first quarter Fiscal Year 2004.

**Total Force Recruiting** - Last fiscal year, we consolidated active and reserve recruiting efforts under Commander, Navy Recruiting Command (CNRC) to establish a Total Force Recruiting mission through unity of effort and command to maximize effectiveness and efficiency. Several pilot programs involving various levels of the chain of command and both enlisted and officer recruiting are underway to evaluate the impacts of the organizational change on active and reserve accession missions. Additionally, beginning with Fiscal Year 2005 President's Budget Submission, active and reserve component recruiting Operations and Maintenance Accounts have been merged in support of the consolidation effort.

While Navy recruited 106 percent of the overall enlisted Selected Reserve (SELRES) goal in Fiscal Year 2003, several ratings, including Master-at-Arms and Hospital Corpsman, achieved less than 70 percent of their respective goals. In Fiscal Year 2004, Navy plans to access about 1,000 National Call to Service (NCS) candidates to meet near-term active duty manning requirements, as well as future SELRES drilling requirements in hard-to-fill ratings, including significant numbers of Master-at-Arms and Hospital Corpsman. Through the first quarter, Fiscal Year 2004, we are on track to meet our overall enlisted SELRES accession mission. Three years of experiencing the highest retention rates among active enlisted personnel in our history has led to an inevitable decline in the number of prior service veterans available to enter the Naval Reserve. Consequently, we were compelled to increase non-prior service Reserve accessions to 39 percent in Fiscal Year 2003, in stark contrast with 18 percent and 32 percent in Fiscal Years 2001 and 2002, respectively. This clearly has its downside in that a greater percentage of SELRES accessions are not deployable until they receive extensive training and experience; thereby, adversely impacting personnel readiness with the Naval Reserve. Through enhanced aggressive prior service recruiting, we hope to limit non-prior service accessions to approximately 18 percent this fiscal year. Similar retention behavior among active component officers yielded a similar impact on officer SELRES recruiting mission in Fiscal Year 2003. Several officer communities requiring prior service experience did not meet accession goals and contributed to attainment of just 91.2 percent overall officer SELRES accession mission. Through first quarter Fiscal Year 2004, we are on track to meet our overall officer SELRES accession mission this year.

### **Conclusion**

Mr. Chairman and distinguished members of this personnel subcommittee, the dedicated men and women of the world's premier naval force continue to sustain our forward worldwide presence on a daily basis in this third year of the Global War on Terrorism. As our CNO has made very clear, "At the heart of everything good in our Navy today is this: we are winning the battle for talent. This is the highest quality Navy the nation has ever seen." Your continued support for our force-shaping initiatives and programs will maintain that high quality and prepare us to better meet the challenges of the 21<sup>st</sup> Century. In this way, we will collectively set the stage to project greater power and provide greater protection to our nation – enhancing our security in the dangerous and uncertain decades ahead.

**STATEMENT OF**  
**LIEUTENANT GENERAL GARRY L. PARKS**  
**UNITED STATES MARINE CORPS**  
**DEPUTY COMMANDANT FOR MANPOWER AND RESERVE AFFAIRS**  
**BEFORE THE**  
**TOTAL FORCE SUBCOMMITTEE**  
**OF THE**  
**HOUSE ARMED SERVICES COMMITTEE**  
**CONCERNING**  
**MILITARY PERSONNEL POLICY, BENEFITS, AND COMPENSATION**  
**ON**  
**MARCH 24, 2004**

Chairman McHugh, Congressman Snyder, and distinguished Members of the Subcommittee:

I am honored to appear before you today to provide an overview of your United States Marine Corps, from the personnel perspective. The continued commitment of the Congress to increase the war fighting and crisis response capabilities of our Nation's armed forces, and to improve the quality of life of Marines, is central to the strength that your Marine Corps enjoys today. We thank you for your efforts to ensure that Marines and their families are poised to continue to respond to the nation's call in the manner Americans expect of their Corps.

## OVERVIEW

### **General**

Up front I will highlight a few key points. The Navy-Marine Corps team continues to play a critical role in the Global War on Terrorism, and in the establishment of stability and security throughout the world. During this past year, the Marine Corps, both active and reserve, engaged in operations from Afghanistan, to the Arabian Gulf, the Horn of Africa, Liberia, the Georgian Republic, Columbia, Guantanamo Bay, the Philippines, and Haiti. Currently, I Marine Expeditionary Force is deploying 25,000 active and reserve Marines to Iraq as part of Operation IRAQI FREEDOM II. Stated succinctly, your Marines are working hard, but the force remains strong.

Our superb recruiters continue to meet their mission, as they have month after month for over eight years. Through their hard work we continue to exceed the goals for quality recruits established by the Department of Defense, as well as the higher standards established by the Commandant of the Marine Corps. Similarly, as has been the case for the past 10 years, we remain postured to attain our annual retention goal for first-term Marines electing to become members of the career force; this year 5,974 first term Marines will reenlist, 25 percent of the eligible population. We completed the second year of our subsequent term retention plan for the career force, meeting our targets in this category, and are well on our way to meeting the fiscal year 2004 career force retention goal of 5,628 Marines. Finally, last year we achieved a 19-year high in officer retention, with 93 percent of our officers staying in the Corps. Obviously, the support of Congress to ensure appropriate pay and compensation improvements provides the environment crucial to the success experienced to date.

### **Funding**

The fiscal year 2005 budget provides for a total force of 175,000 active duty Marines, 39,600 reserve Marines, and 13,200 appropriated fund civilian Marines. Approximately 61 percent of our Military Personnel funds are targeted toward basic pay and retired pay accrual. Essentially all of the remaining funds address regulated and directed items such as Basic Allowance for Housing, Defense Health Care, Basic Allowance for Subsistence, Permanent Change of Station relocations, and Special and Incentive pays. Only one percent of the Military Personnel budget is available to pay for discretionary items such as our Selective Reenlistment Bonus, Marine Corps College Fund recruitment program, and Aviation Continuation Pay. While this is a manageable amount, it provides little flexibility. Of the few discretionary pays that we utilize, the Selective Reenlistment Bonus is crucial. We take pride in our prudent stewardship of these



critical resources. For fiscal year 2005 we are seeking a judicious increase in funding to \$56.7 million, from \$51.8 million in fiscal year 2004. This remains just one-half of one percent of our Military Personnel budget, but it allows us to effectively target our retention efforts. Military Personnel funding, as a whole, represents 61 percent of the U. S. Marine Corps' Total Obligation Authority, leaving 39 percent for infrastructure, investment, and operations and maintenance requirements. Similar to our minimal level of discretionary Military Personnel funding, the Marine Corps, with the smallest budget of the four services, has limited flexibility overall to respond to unprogrammed mandates.

The Marine Corps appreciates the efforts by this committee to raise the standard of living for our Marines. Being a Marine is challenging and rewarding. America's youth continue to join the Marine Corps, and remain, in a large part because of our institutional culture and core values. However, it is important that the environment – the other factors in the accession and retention decision – remain supportive, to include compensation. Compensation is a double-edged sword in that it is a principle factor for Marines both when they decide to reenlist and when they decide not to reenlist. Private sector competition will always seek to capitalize on the military training and education provided to our Marines – Marines are a highly desirable labor resource for private sector organizations. The support of the Congress to continue reasonable increases in basic pay, eliminating "out of pocket" expenses associated with the Basic Allowance for Housing, and ensuring a sound comprehensive compensation and entitlements structure greatly assists efforts to recruit and retain the quality Americans you expect in your Corps.

## RECRUITING

### **Active Duty**

In fiscal year 2003, the Marine Corps realized unprecedented recruiting success, achieving 103.5 percent of enlisted contracting and 100.1 percent of enlisted shipping objectives. Over 97 percent of those shipped to recruit training were Tier 1 high school diploma graduates, well above the Department of Defense and Marine Corps standards of 90 percent and 95 percent, respectively. In addition, 70 percent were in the I-III upper mental testing categories; again well above the Department of Defense and Marine Corps standards of 60 percent and 63 percent, respectively. Lastly, for officers, 100 percent of mission was achieved.

### **Reserve Component**

The Marine Corps Reserve, similarly, achieved its fiscal year 2003 recruiting goals with the accession of 6,174 non-prior service Marines and 2,663 prior service Marines. For our reserve component, officer recruiting and retention to fill out the requirements of our Selected Marine Corps Reserve units remains our most challenging recruiting concern. This challenge exists primarily due to the low attrition rate for company grade officers from the active force. The Marine Corps recruits reserve officers almost exclusively from the ranks of those who have first served a tour as an active duty Marine officer. We are exploring methods to increase the reserve participation of company grade officers in the Selected Marine Corps Reserve through increased recruiting efforts, increased command focus on emphasizing reserve participation upon leaving active duty, and reserve officer programs for qualified enlisted Marines. The legislation

requested for FY05 authorizing the payment of an affiliation bonus for officers to serve in the Selected Marine Corps Reserve will assist in this endeavor.

### **Recruiter Access**

The Marine Corps is grateful to the Congress for the benefits derived from legislation enabling recruiter access to high school student directory information. America's youth can learn about career opportunities in both the public and private sectors now that our recruiters are afforded access equal to other prospective employers. We look forward to your continued support as we strive to meet the increasing challenges of a dynamic recruiting environment.

### **Fiscal Year 2004**

The key tenets of the fiscal year 2004 recruiting strategic plan are to (1) continue long-term recruiting success by placing mission accomplishment above all else; (2) emphasize the benefits of early mission attainment in "quality of life terms" that will influence the recruiter; (3) stress safety in all that we do; and (4) continue to enhance the image of recruiting duty in order to ensure we replace our recruiters with the same high quality Marines that laid the groundwork for our success.

### **Accomplishing the Mission**

The Marine Corps' recruiting environment is dynamic and challenging, particularly with regards to market propensity. Nevertheless, for more than eight years in this dynamic environment we have met our mission. We intend to continue this success, in the future, but it will hinge on our ability to overcome our target market's low propensity to enlist and the increased cost of advertising, while maintaining innovation in our marketing campaign. Marketing by its very nature requires constant change to remain virulent and relevant. While our brand message of "Tough, Smart, Elite Warrior" has not changed in theoretical perspective, the Corps continues to explore the most efficient manner to communicate and appeal to the most qualified young men and women of the millennial generation.

Ensuring young men and women hear and understand the recruiting message requires continual reinforcement through marketing and advertising programs. To do this we continue to emphasize our core competencies of paid media, generating leads for recruiters, and providing the recruiters with effective sales support materials. Quality advertising aimed at our target market provides the foundation for establishing awareness about Marine Corps opportunities among young men and women.

Paid advertising continues to be the most effective means to communicate our message and, as a result, remains the focus of our marketing efforts. As advertising costs continue to increase it is imperative that our advertising budgets remain competitive in order to ensure that our recruiting message reaches the right audience. Marine Corps recruiting successes over the past years are not only a direct reflection of a quality recruiting force, but also an effective and efficient marketing and advertising program.

## Quality of Life and Safety

Continuous improvement in quality of life for our personnel is vitally important. Our Marines and families are dispersed throughout America, away from the traditional support systems of our bases and stations. Therefore, we expend great effort to ensure awareness of numerous support programs adapted for their benefit. One such program instituted in 2003 is *MCCS One Source*, a program offering assistance, advice, and support on a wide range of everyday issues. This 24/7, 365 day-a-year, enhanced employee assistance service can be accessed anytime via toll free numbers, email, or the Internet and is especially useful for remote Marines, such as recruiters.

Marine Corps recruiting remains committed to improving the health and safety of all Marines, Sailors, Civilian Marines, and members of the officer and enlisted entry pools. Operational risk management and traffic safety are emphasized at all levels and involve both on and off duty activities. Our goal is to continue to accomplish the recruiting mission while minimizing risk and the potential for loss of life and equipment.

## Recruit the Recruiter

Our success in recruiting hinges on the Marine – our recruiters – whose efforts and dedication to the task provide our institution with its next generation of warriors. Our recruiters are the Corps' ambassadors to the American public and represent the virtues of the Marine Corps in a single individual.

Because recruiters who volunteer for this demanding duty perform at a higher level and, subsequently, experience a better quality of life, the Marine Corps Recruiting Command has taken cost effective measures to recruit our own recruiters. Through education, media venues, and the Headquarters Recruiter Screening Team process, the Marine Corps Recruiting Command will continue to shape the image of recruiting as a desirable duty that will attract the best and brightest to the recruiting force. As a result of this "Recruit the Recruiter" initiative, our percentage of recruiters who volunteer continues to rise.

## RETENTION

A successful recruiting effort is but one part of placing a properly trained Marine in the right place at the right time. The dynamics of our manpower system must match skills and grades to our Commanders' needs throughout the operating forces. The Marine Corps endeavors to attain and maintain stable, predictable retention patterns. However, as is the case with recruiting, civilian opportunities abound for Marines as employers actively solicit our young Marine leaders for private sector employment. Leadership opportunities, our core values, and other similar intangibles are a large part of the reason we retain dedicated men and women to be active duty Marines after their initial commitment. Of course retention success is also a consequence of the investments made in tangible forms of compensation and in supporting our operating forces – giving our Marines what they need to do their jobs in the field, as well as the funds required to educate and train these phenomenal men and women.

## **Enlisted Retention**

We are a young force. Achieving a continued flow of quality new accessions is of foundational importance to well-balanced readiness. Within our 154,600 Marine active duty enlisted force, over 27,000 are still teenagers and 104,000 are on their first enlistment. As noted at the outset, in fiscal year 2004 we will reenlist approximately 25 percent of our first-term Marine population. These 5,974 Marines represent 100 percent of the career force requirement and will mark the tenth consecutive year that we will achieve this objective. To better manage the career force, we introduced the Subsequent Term Alignment Plan in fiscal year 2002 to track reenlistments in our career force. In fiscal year 2003, our second year, this proved to be a huge success as we met our career reenlistment goals and achieved a 94 percent skill match. Given the strong draw from the civilian sector, further emphasis in retention of our career force was achieved by effectively targeting 40 percent of our Selective Reenlistment Bonus program resources to maintain an experience level on par with previous years. As commented before, the Selective Reenlistment Bonus is a powerful tool and we take great pride in prudent stewardship of these resources.

A positive trend is developing concerning our first term non-expiration of active service attrition – those Marines who depart before their enlistment is completed. As with fiscal years 2002 and 2003, we continue to see these numbers decrease. The implementation of the Crucible and the Unit Cohesion programs continues to contribute to improved retention among our young Marines who assimilate the cultural values of the Corps earlier in their career. The impact of this lower attrition allowed a reduced recruiting mission in both fiscal years 2003 and 2004.

Our enlisted force is the backbone of the Corps and we make every effort to retain our best people. Although we regularly experience minor turbulence in some specialties, the aggregate enlisted retention situation continues to be encouraging. We are segmenting and tracking retention indicators closer than ever and the numbers remain solid. Given the demands on our Corps, we will continue a watchful eye on the numbers.

Primarily because these quality young Marines remain in high demand in the civilian sector, some shortages continually exist in high-tech Military Occupational Specialties that are an important part of our war fighting capability. These highly technical specialty shortages include intelligence, data communications experts, and air command and control technicians. As mentioned, specialty shortages are addressed with the highly successful Selective Reenlistment Bonus program. These funds are targeted 60 percent and 40 percent between first term and career force reenlistments, respectively. The Selective Reenlistment Bonus program greatly complements our reenlistment efforts and clearly improves retention within our critical skill shortages. In fiscal year 2004, the Corps is continuing to pay lump sum bonuses, thus increasing the net present value of the incentive and positively influencing highly qualified, yet previously undecided, personnel. It is a powerful influence for the undecided to witness another Marine's reenlistment and receipt of his or her Selective Reenlistment Bonus in the total amount. And, with the added benefit of the Thrift Savings Program, our Marines can now confidently invest these funds toward their future financial security.

## **Officer Retention**



Overall, officer retention continues to experience great success. Our aggregate officer retention rate reached a nineteen-year high of 93.5 percent in fiscal year 2003. The significant increase in our officer retention rate directly corresponds to a reduction in voluntary separations. Nevertheless, as with the enlisted force, we have some skill imbalances within our officer corps; fixed-wing aviation, intelligence, and command and control.

While fixed wing pilot retention remains a concern, we are cautiously optimistic. Aggregate fiscal year 2003 retention targets for aviators were met, though deficiencies remain in some fixed wing pilot year groups based on attrition from the late 1990's. In the interim these gaps are covered by rotary wing pilots and naval flight officers filling a larger share of staff billets, thereby not impacting the flying squadrons. Retaining aviators involves a concerted effort in multiple areas. Important elements include recent retention initiatives that reduce the time to train, and supplementary pay programs such as Aviation Continuation Pay provide a proactive, long-term aviation career incentive to our field grade aviators. We remain focused on retaining mid-grade aviators – junior majors through lieutenant colonels – and will continually review our overall aviation retention posture to optimize our resources.

Overall, the Marine Corps' officer and enlisted retention situation is very encouraging. With the phenomenal leadership of our unit commanders, we expect to achieve every strength objective for fiscal year 2004, and start fiscal year 2005 poised for continued success. Again, while the Corps is stretched to meet our current operational commitments, this has not negatively impacted our recruiting nor our retention; however, we continue to monitor both very closely. The Marine Corps remains optimistic, thanks in large measure to the continued support of Congress.

### **END STRENGTH**

The Marine Corps is assimilating the Congressionally authorized increase in Marine Corps end-strength to 175,000. The increase of 2,400 Marines addressed an urgent need to train and maintain additional Marines for the long-term requirements associated with the Global War on Terrorism. It has been particularly important in enabling us to provide the Nation with a robust, scalable force option specifically dedicated to anti-terrorism – the 4<sup>th</sup> Marine Expeditionary Brigade (Anti-Terrorism).

The Marine Corps is expeditionary by nature and therefore accustomed to deploying in support of contingency and forward presence missions. We are structured in such a way as to satisfy our enduring requirements and meet operational contingencies as long as the contingencies are temporary in nature. The question concerning increasing end strength hinges on the duration of our commitments. If the current commitment is short term and represents a spike, then we believe that we can sustain the pace through initiating measures utilizing our current authorizations and flexibilities. Using measures such as increased accessions, expanded cross year extensions, targeted Selective Reenlistment Bonuses, directing non-infantry units such as artillery into a more traditional infantry role, and continued measured use of Reservists will allow us to satisfy our requirements. Further, we are looking at several initiatives to enhance and better target our reserve capabilities. Similarly, we will continue to pursue complementary

initiatives, such as military to civilian conversions in order to realign more Marines into the operating forces.

Again, while stretched, we are meeting our challenging international commitments. Our higher operational and personnel tempos have not decreased the propensity of great Americans to either enlist or reenlist.

### MARINE CORPS RESERVE

From immediate support on September 11, 2001 to combat operations in Afghanistan in 2002 and Iraq in 2003, the Marine Corps Reserve has demonstrated its ability to rapidly mobilize combat ready Marines to augment and reinforce the active component. In support of Operation NOBLE EAGLE and Operation ENDURING FREEDOM, 4,463 reserve Marines were on active duty in March 2002. Just over a year later 21,316 reserve Marines were on active duty in May 2003 to support Operation IRAQI FREEDOM, representing 54 percent of the Selected Marine Corps Reserve. Marine Corps Reserve units and individuals were ready and rapidly integrated into gaining force commands, fighting along side their active component counterparts and making a difference, demonstrating a key core competency emphasized in *Marine Corps Strategy 21*. Of the over 5,100 Reservists currently on active duty, over 1,200 Individual Mobilized Augmentees, Individual Ready Reserves, and Retirees fill critical joint and internal billets. Judicious employment of reserve Marines remains a top priority of the Marine Corps to ensure they retain the capability to augment and reinforce the active component.

A strong Inspector-Instructor system and a demanding Mobilization and Operational Readiness Deployment Test program ensure Marine Corps Reserve units achieve a high level of pre-mobilization readiness. Marine Corps Reserve Units continuously train to a high readiness standard, eliminating the need for post-mobilization certification. Ninety-eight percent of Selected Marine Corps Reserve Marines reported for mobilization and only .4 percent requested a deferment, delay, or exemption. For Operation IRAQI FREEDOM the Marine Corps Reserve executed a rapid and efficient mobilization with units averaging six days from notification to being deployment-ready and 32 days from deployment order to arrival in theater.

Building on the important lessons learned of the last year, the Marine Corps is pursuing several initiatives to enhance the Reserves' capabilities as a ready and able partner of the Total Force Marine Corps. These pending initiatives include: increasing the number of Military Police units in the reserve component; establishing a Reserve Intelligence Support Battalion that will enhance command and control of reserve component intelligence assets, to include placing Reserve Marine Intelligence Detachments at the Joint Reserve Intelligence Centers; returning some of our Civil Affairs structure to the active component to provide enhanced planning capabilities for operational and Service headquarters; and introducing an improved Individual Augmentee management program to meet growing joint and internal requirements.

### CIVILIAN MARINES

Civilian Marines are integral to the Corps' Total Force concept. We have approximately 25,000 Civilian Marines, of which about 13,000 are appropriated fund employees, and about 12,000 are

non-appropriated fund employees. Our appropriated fund Civilian Marines, comprise just two percent of the total Department of Defense civilian workforce, the leanest ratio of civilians to military in the Department. Our remaining Civilian Marines, our non-appropriated fund personnel, are primarily resourced by revenue-generating activities and services such as exchanges, clubs, golf courses, bowling centers, and gas stations. Our Civilian Marines fill key billets aboard Marine Corps bases and stations, thus freeing active duty Marines to perform their war fighting requirements in the operating forces.

### **Civilian Workforce Campaign Plan**

The Marine Corps' strategic road map to achieving a civilian workforce capable of meeting the challenges of the future is the Civilian Workforce Campaign Plan, a 5-year plan to address the entire life cycle of a Civilian Marine, from recruitment to career development to retirement and separation. We enlisted the active involvement of our Senior Executive Service members as advocates to significantly enhance the management of our civilian workforce. The clear objective is to make the Marine Corps the "employer of choice" for a select group of civilians who are imbued with the Marine Corps values of honor, courage, and commitment and who seek challenging and rewarding careers. We are committed to building leadership skills at all levels, providing interesting and challenging training and career opportunities, and improving the quality of work life for all Civilian Marines.

### **National Security Personnel System**

We look forward to executing the authorities enacted in the fiscal year 2004 National Defense Authorization Act, providing for the National Security Personnel System. We believe this will allow us to be a more competitive and progressive employer at a time when our national security demands a highly responsive system of civilian personnel management. Later this year, following an appropriate training program for supervisors, managers, human resources specialists, employees, as well as commanders and senior management, the Marine Corps, along with the entire Department of the Navy, expects to be in the first wave of implementation.

### **Military-Civilian Conversions**

Military to civilian conversions offer the Marine Corps an opportunity to continue to move more Marines into the operating forces. From fiscal year 2002 to fiscal year 2007 the Marine Corps planned to move 3,019 Marines back to the operating forces through outsourcing and military to civilian conversions. The fiscal year 2005 President's Budget converts an additional 1,372 billets, providing more options to increase manning in the operating forces. The Commandant has directed the Marine Corps to pursue this program aggressively – to get Marines back to the "fleet" and to do what is right for the Corps. We view this as an integral part of our rebalancing the force and end strength determinations.

## **MOBILIZATION**

Since 9/11, the Marine Corps has relied on the mobilization of both the Selected Marine Corps Reserve and Individual Ready Reserve Marines in response to both internal and joint operational

requirements. The Marine Corps maximized the use of Individual Ready Reserve volunteers to meet these requirements, primarily in the areas of staff augmentation and force protection. As previously mentioned, at the height of Operation ENDURING FREEDOM and Operation IRAQI FREEDOM, the Marine Corps had 21,316 reserve Marines on active duty. As of March 12, 2004, we had 5,148 Marines mobilized; 3,940 in Selected Marine Corps Reserve units and 1,208 Individual Augmentees. The total Marine Corps Selected Marine Corps Reserve unit requirement in support of Operation IRAQI FREEDOM II is approximately 7,500 Marines (approximately 3,000 in OIF II-1 and 4,500 in OIF II-2).

Since 9/11, we have only had 1,169 Marines activated more than once, of which 387 are currently activated. Furthermore, the Marine Corps "involuntarily" activated 2,063 Individual Ready Reserve Marines for use as linguists, intelligence specialists, and for force protection requirements. Of these 2,063 only 307 remain activated; 271 have voluntarily extended their activation orders and the remaining 36 asked to complete their existing activation orders, the last the 36 will deactivate in April 2004. Since 9-11, 47 percent of our Selected Marine Corps Reserve Marines, 59 percent of our Individual Mobilization Augmentees, and 5 percent of our Individual Ready Reserve Marines have been activated at least once.

Similar to the active component, the burden of activation for the reserve component has been within the high demand/low density specialties such as Civil Affairs, KC-130, military police, and intelligence. To date, 96 percent of the Civil Affairs, 89 percent of the KC-130, 72 percent of law enforcement, and 69 percent of the intelligence Marines have been activated as compared to 50 percent of reserve infantry Marines. The continuing growing demands being placed on the high demand/low density skills is not a problem unique to the Marine Corps, and is something that we, along with the other Services, will address as we rebalance the force.

### **MANAGING TIME AWAY FROM HOME**

The Marine Corps remains committed to maintaining the proper balance between operational deployments and the quality of life of our Marines and their families. Having said this, Marines join to train and deploy, and we do not disappoint them. Service in the Marine Corps requires deployments for readiness and mission accomplishment.

As a result of the current operational requirements, the Personnel Tempo (PERSTEMPO) of our Marines has increased. Currently, there are 1,978 active component Marines and 2,078 reserve component Marines who have exceeded the 400-day PERSTEMPO threshold as compared to 331 active component Marines and 1,082 reserve component Marines at this same time last year. Additionally, we have 43,140 active component Marines and 16,766 Reserve component Marines who have accumulated between 182 and 399 PERSTEMPO days, as compared to 30,461 and 13,310 one year ago, respectively. The significance and impact of the increased numbers of Marines with high PERSTEMPO numbers remains to be seen. The Marine Corps benefits by being largely composed of first term Marines, whose retention is less affected by increased operational requirements. Of primary concern, then, is the impact on our Career Force, especially the officers and the staff non-commissioned officers in the 8 to 12 year range. Whether increased levels of PERSTEMPO adversely affect the retention of our Marines, to what extent, and whether they are sustainable, depends upon the duration of the increased



**PERSTEMPO.** To date, there is no evidence that this has adversely affected the retention of Marines.

Each individual Marine is different, but all are influenced to some degree by intangible factors such as the quality of leadership and the care and concern shown for family members who must endure separations. In general, Marines are recruited based on these intangibles and they will accept greater hardships and longer deployments as leaders inspire trust and link them personally to the fulfillment of national and strategic goals.

## **CARING FOR MARINES AND FAMILIES DURING OPERATIONAL DEPLOYMENTS**

This has been a very busy year for the Marine Corps, and the Marines who marched into Baghdad certainly rose to the challenge. In support of these warfighters, the installation commanders and Quality of Life program managers also rose to the challenge providing outstanding support at home and abroad. As an expeditionary force, the Marine Corps must provide quality of life support to deployed Marines based on the duration and intensity of the operation. Programs for those deployed are designed to provide health and comfort with a touch of home during a mission. The Marine Corps also must continuously take care of Marines and families left behind on the home front. As they carry out their mission, Marines trust us to see that their families are part of a community that takes care of its own. Programs and services for those on the home front are designed to provide a sense of community, and to proactively address potential areas of concern for the Marine and his or her family.

As 66,000 Marines were deployed away from their home installations at the height of operations last year, program managers carefully captured lessons learned, such as the "CNN effect" and the subsequent desire for immediate information, and the overwhelming generosity of the American people in providing gifts to deployed Marines. By incorporating lessons learned, we will ensure quality of life programs continue to meet the needs of deployed Marines and families who remain at home. We are very proud of our success on the battlefield and greatly appreciate the support and concern for deployed Marines and their families displayed by the Congress and the American people.

### **Casualty Reporting**

The most challenging time to provide support is after the death of a beloved Marine. The Marines and Civilian Marines performing casualty assistance duties are truly special people. One of the challenges faced last year during Operation IRAQI FREEDOM, and that we will continue to face moving forward, involves the "CNN effect" – the expectation for instant information in a 24-hour news society. We must balance the public's desire for immediate information with the military's responsibility to "get it right" and focus on the family's needs. During Operation ENDURING FREEDOM and Operation IRAQI FREEDOM, next of kin notification occurred within the eight hour Marine Corps goal, and generally within two to four hours. Based on our lessons learned, we are using a new set of software tools to enhance our deployed commanders capability to communicate with the Headquarters Marine Corps Casualty office, and to track an injured/ill Marine throughout the entire medical process.

## **Tactical Field Exchanges**

Deployed Marines are provided "all the comforts of home" through tactical field exchanges that provide everything from health and comfort items, to movies, CD's and snack foods. For Operations ENDURING FREEDOM and IRAQI FREEDOM, the Marine Corps successfully partnered with the Army and Air Force Exchange Service. We provided Marines to run the tactical field exchanges in Iraq at Camps Edson, Bush Master, Viper and Chesty; in Kuwait at Camps Fox, Marine Land, Commando, and Coyote; and in Djibouti in the Horn of Africa. Mobile tactical field exchanges were also operated off the back of seven-ton trucks to provide service to front line camps. This partnership will continue for Operation IRAQI FREEDOM II.

## **Postal Support**

It is no great surprise that one of the best morale boosters for any deployed service member is receiving mail from loved ones at home. Postal Marines delivered nearly 7.5 million pounds of mail to Marines deployed to Operation IRAQI FREEDOM. Delivery times averaged between 10 to 14 days. While we know of some complaints about delays in mail delivery, it occurred largely during the offensive phase when commanders asked that mail be held due to the fluidity of the battle, limited convoy operations, and security issues.

## **Other Deployed Support**

Support for deployed Marines can also include open-air or make-shift fitness centers; telephones to call home; miscellaneous recreation supplies such as sports equipment, games, books, and camcorders; and voluntary education opportunities while afloat. For longer deployments and in areas where electricity can be sustained for some period of time, commanders can have access to Internet cafes, Playstation game systems, VCRs/DVD players, and more extensive fitness equipment. As an example, current facilities/programs in Djibouti include a 24-hour per day, 7 day per week operation that includes a recreation center, two fitness centers, a library, a running trail, an outdoor swimming pool, scuba certification classes, USO entertainment, and cultural tours of the local area.

## **Taking Care of the Families of Deployed Marines**

While Marines are focused on the mission in Iraq and Afghanistan and other places around the world, back at home Marine Corps Community Services (MCCS) has been established at our major bases and stations to not only support Marines and their families in their daily lives, but also during deployments.

As I mentioned, one of the key issues for families of Marines deployed last year was the 24-hour news cycle, replete with embedded reporters and continuous images of operations, creating uncertainty for our families. An immediate need for information became the expected norm. Community and Family Assistance Centers were established at Camp Lejeune, Camp Pendleton, Miramar, Yuma, and Twentynine Palms, and operated 24/7 as necessary to provide information and referral services related to deployed Marines and their family members, and others who

support and care for Marines. At the height of Operation IRAQI FREEDOM, these centers were receiving an average of 150-300 calls per day.

During deployments, Marine families bear the burden of waiting, and the added responsibility of keeping the family together and functioning as normally as possible. Just as described for our recruiters, *MCCS One Source* is a valuable asset that provides Marines and their families with helpful information before, during, and after deployment in support areas including parenting and childcare, education services, financial information and advice, legal, elder care, health and wellness, crisis support, and relocation. Available Corps-wide beginning January 2003, over 26,000 calls and emails had been received by the end of fiscal year 2003, with about 80 percent of the usage occurring online. *MCCS One Source* is especially useful for remote users such as those recruiters that I mentioned earlier and the families of activated reservists. Activated reservists and their families found helpful information to assist in understanding the requirements and procedures associated with utilization of military programs such as TRICARE and other benefits and services.

At each of our bases or stations, the Key Volunteer Network Program serves as the official communication link between the deployed command and the families. Additionally, the Lifestyle Insights, Networking, Knowledge and Skills (L.I.N.K.S.) Program is offered to new Marine spouses to acquaint them with the military lifestyle and the Marine Corps, including the challenges brought about by frequent deployments. We have recently developed an online and CD-ROM version of L.I.N.K.S., which makes this valuable tool more readily accessible for working spouses or those located away from Marine Corps installations. Families of deployed Marines can also receive assistance in developing proactive, prevention oriented plans such as family care plans, powers of attorney, family financial planning, and enrollment in the Dependent Eligibility and Enrollment Reporting System. The Family Readiness Officer and the support structure within the Marine Corps Family Team Building staff play a key role in this area. Additional services are provided to those who need respite childcare, assistance coping with separation, or specialized support in areas such as spiritual guidance, coping and social skills. Our deployed commanding officers have confirmed the importance of this family readiness support while they were away and as part of their homecoming.

### **Local Community Support For Our Deployed Marines and Their Families**

Local communities outside our installations' gates are significantly impacted by Marine deployments, not just because local businesses experience sales and revenue declines, but because Marines and family members often immerse themselves in the local community by volunteering as coaches, scout leaders, and fire fighters, to name a few. Feeling the loss and an overwhelming desire to support our Marines and families, local Chambers of Commerce and other civic leaders at Camp Lejeune, Camp Pendleton, Twentynine Palms, Miramar, and Yuma, for example, made a special effort to interact and engage with those who remained. We sincerely appreciate their specific support and the outpouring of love from all the others who took the time to write a letter, send a package, or keep us in their prayers.

### **Return and Reunion**

Separation is one of the challenges of the military lifestyle. We specifically program help to meet this challenge. For the deployed Marine and his or her loved ones, the return home is especially emotional and highly anticipated. In recognition of the importance of the transition home after deployments for both Marines and their families, the Marine Corps developed standardized return and reunion aids such as warrior transition briefs and counseling for the returning Marine, and a return and reunion guidebook to help Marines and family members prepare for and enjoy their reunion.

### **EVERYDAY SUPPORT FOR MARINES AND FAMILIES ON INSTALLATIONS**

When deployments are over for Marines, and their families are settling into their "normal" or more daily lives, our bases and stations serve as home. We strive to provide them hometown services and support that contribute to their need for "normalcy." Along the way, through these hometown services, we also seek to improve personal and family readiness in recognition of the important role that military families play in mission readiness by focusing on the following six goals: (1) increase family readiness; (2) help Marines and families live healthy lifestyles; (3) help to develop and return responsible citizens after military service; (4) connect Marines and families with America and the Marine Corps way of life; (5) help Marines and families pursue lifelong learning goals; and (6) provide valued goods and services to Marines and their families.

Family readiness programs, such as the Key Volunteer Network and L.I.N.K.S. programs already mentioned, support families in a manner that allows the Marine to focus on their duty, which enhances the mission readiness of their unit. The Marine Corps also provides for the children of Marines so that the Marine parent is more mission ready because they are confident that their children are in a safe, quality, affordable childcare setting. The Marine Corps provides childcare at 32 Childcare Development Centers, 577 Family Child Care Homes, and 15 School Age Care Programs. In addition, there are 17 Youth Programs serving over 125,000 youth and teens. An example of the additional support we will be providing with FY04 supplemental funds is a new initiative to provide enhanced extended childcare. The Marine Corps is piloting this program for 36 months at four installations to provide extended childcare free of charge for eligible patrons when they have an unanticipated emergency or mildly ill children and their regular childcare arrangements are not available. We began this pilot in the first quarter of 2004.

Healthy lifestyles are important not just for Marines who must meet the physical challenges of duty, but also for family members. Our Semper Fit program meets these needs with quality fitness centers and health promotion efforts. Recreation activities like sports programs, bowling centers, marinas, and theatres along with leisure activities like block parties, concerts, picnics, parties, and information fairs complement the Semper Fit program by providing wholesome, affordable, and quality leisure and recreation time.

Lifelong learning is achieved through a variety of educational programs valuable to the development of Marines. Library services on bases and deployed with Marines, as well as distance learning opportunities, make continuing education available to Marines regardless of their location. In addition, tuition assistance is available for those Marines interested in pursuing continuing education opportunities. During fiscal year 2003, there were 25,662 Marines enrolled in almost 80,000 courses with the help of the tuition assistance program.



Quality and responsible citizenship traits begin in childhood and are fostered and further developed throughout life. Programs like the Single Marine Program help the approximately 60 percent of our enlisted Marines that are single develop into productive, responsible citizens. The Single Marine Program provides needed recreational and stress outlets that are wholesome and support development of social skills, and opportunities for Marines to support the local community. Through the Single Marine Program council meetings, single Marines make recommendations for improvements to: hours of operations; access to computers and the Internet; parking lots; safety issues related to intersections, sidewalks, crosswalks, and barricades; and television options such as cable, satellite, and digital for the barracks. Single Marines also donate thousands of hours of volunteer labor each year involving community support efforts such as Special Olympics, Toys for Tots, adopt a school programs, chaplains' community programs, food drives, beach cleanups, veterans and nursing home visits, local youth programs/events, and other volunteer organizations that teach the rewards that come from service to others.

### **Domestic Violence**

Domestic violence is a very serious matter throughout the world, and the Marine Corps is actively engaged in developing family advocacy programs and initiatives that help Marines and their family members prevent incidents of violence to the extent possible, and treat them when necessary. I was privileged to co-chair the Defense Task Force on Domestic Violence, which for three years assessed the military services domestic violence prevention and response mechanism. The Task Forces' nearly 200 recommendations are being implemented across the Department of Defense, to include within the Marine Corps. I am happy to report that domestic violence in the Marine Corps continues to decline. We attribute much of this decrease to outreach preventative services and programs, such as the Mentors in Violence Prevention Program and the New Parent Support Program. The Mentors in Violence Prevention Program was established to encourage the participation of male Marines in efforts to prevent rape, battering, sexual harassment, and all forms of male violence against women. This program is a "Marines helping their fellow Marines" program, which encourages Marines to become involved when they see abusive situations. The New Parent Support Program educates and supports families with children up to 6 years of age. This program consists of home visitation, classes and outreach through Play Morning, Single Parent Support Groups, Mom's Basic Training, Parenting Classes, and Daddy's Baby Boot Camp. We believe this program has helped successfully reduce the number of child abuse/neglect cases.

### **Sexual Assault**

Similar to domestic violence, sexual assault is a very serious matter, and the Marine Corps is actively engaged in policies, training, and programs for both the prevention of sexual assault and the treatment of victims. Rape and other sexual assaults are violent crimes that violate human dignity and deeply held values of the Marine Corps and the military as a whole. Sexual assault is unacceptable and will not be tolerated. The Marine Corps is fully engaged in the Department of Defense's 90-day review of this issue. We will continue to expand our current training initiatives on sexual assault and prevention at all levels. For example, during Operation IRAQI

FREEDOM II, deployed Marines will have the same level of support available in theater as they would have at their home station. This will include selected medical and religious support as well as Marines who have received Victim Advocate Training, to allow them to perform the role as victim advocates. The Marine Corps deployed a total of 3,439 females in support of Operations ENDURING FREEDOM and IRAQI FREEDOM, and we are aware of seven allegations of sexual assault. Of these, two Marines have been found guilty and received punishment, and the remaining five are awaiting conclusion of investigations. Of the Marines scheduled to deploy for the upcoming Operation IRAQI FREEDOM II-1, approximately 363 are female.

### **Suicide**

For the Marine Corps, losing one Marine to suicide is too many. During a year of combat stress, in addition to the common stressors of military life, the Marine Corps is focused on improving our Suicide Prevention Program through strategies that include: (1) developing a Leaders' Quick Reference Guide to help leaders quickly and effectively react to Marines in distress; (2) reducing the stigma associated with seeking help; (3) improving the coordination of prevention and intervention services at installations; (4) integrating mental health resources into Marine Divisions through the Operational Stress Control and Readiness program; and (5) improving deployment cycle screening and treatment as part of our Return and Reunion program. From 1993 to 2003, the Marine Corps suicide rate per 100,000 has been gradually declining. Even with the stresses associated with Operation IRAQI FREEDOM, the overall Marine Corps suicide rate remained relatively stable from calendar year 2002 to calendar year 2003, rising slightly from 12.6 to 13.2 per 100,000. The Marine Corps will continue to strive to improve its prevention programs to further reduce this tragic and unnecessary loss of our most valuable asset, our Marines.

### **Other Marine Corps Community Services (MCCS) Programs**

MCCS connects Marines and families to military installations through services that provide the top to bottom information necessary to quickly acclimate to new duty stations. Relocation assistance also helps to equip Marines and families in transition with kitchen kits or other necessary services. Transition Assistance and Family Member Employment Assistance Programs help Marines and their families prepare for a new life in civilian communities by providing briefs, sponsoring job fairs and workshops, and providing employment referrals.

Last, but certainly not least, the Marine Corps Exchange, 7-Day Stores, Barber Shops, Dry Cleaners, Uniform Shops, vending operations, Auto Skill Centers, clubs, and recreation centers are filled with outstanding Civilian Marines who are providing valued goods and services that are competitively priced, and in the case of low or fixed income individuals or families, depended upon for basic standard of living needs.

### **QUALITY OF LIFE – THE EXPECTATIONS FACTOR**

One final component of quality of life that cannot be overlooked is the effect of demographics and expectations on the ultimate success of a vibrant quality of life program. The Marine Corps

is comprised of the youngest, most junior, and least married members of the four Military Services. Our most recent demographic data shows that 66 percent of Marines are 25 or younger, 27 percent of Marines are 21 years old, 42 percent of Marines are Lance Corporals (pay grade E3) or below, and 60 percent of enlisted Marines are single. As with American society as a whole, the pool of young people from which we recruit have increased levels of expectations because they were raised in an environment that provides many things for them.

Since 1992, three surveys have been administered to determine how Marines' perceptions of, and satisfaction with, quality of life have changed over the past 10 years. The results of our third survey in 2002 revealed a decline in the satisfaction of Marines relative to quality of life in the Corps. The decline was not substantial in practical terms but confirmed the relationship of "elevated expectations" and quality of life satisfaction. As a force comprised primarily of those under the age of 25, we are particularly interested in the role of "expectations" in relation to our holistic approach. Although quality of life is important to all ages, those under 25 have expressed increased expectations for their quality of life. American youth are naturally exuberant, but the urgency and expectation for their quality of life is increasing according to our results. Therefore, we know that we must maintain our efforts to improve the objective quality of life – the "standard of living" of Marines and families. But, when new Marines enter the Corps we must also help them to better understand what to expect in the military lifestyle, so our continued efforts at improving quality of life gain more traction (i.e., more quickly close the gap between expectations and reality). Our understanding of expectations and the relationship to quality of life satisfaction will be further studied as we continue to pulse the attitudes and concerns of Marines and families relative to their quality of life expectations and concerns into the future.

Whether we are taking care of Marines in the desert or families back at home, quality of life support programs are designed to help all Marines and their families, which in turn helps to ensure continued readiness, retention and recruitment success. Marines and their families make great sacrifices in service to their country. The Marine Corps prides itself on the legacy of rewarding that sacrifice by taking care of its own.

### **INFORMATION TECHNOLOGY INNOVATION**

To properly manage the resources entrusted to us, it is necessary to have and maintain capable tools. Planning for and managing manpower requirements – including addressing mobilization challenges and tracking PERSTEMPO information mentioned previously – requires effective and relevant automation and information technology systems for manpower modeling, manpower management, personnel servicing, and joint requirements. When competing with weapons systems and near term resource requirements, it is easy to bypass proper investment in these somewhat bland information systems. However, though not perfect, we are proud of the Manpower Automated Information System portfolio in place to support our personnel processes and are committed in the budget to continuing appropriate reinvestment.

The Marine Corps benefits from a fully integrated pay and personnel system. This system, the Marine Corps Total Force System, incorporates all active duty, reserve, and retired pay and

personnel records. The Marine Corps has now developed an interface between this system and the Standard Accounting, Budgeting and Reporting System. This interface of pay and personnel data with the accounting and budgeting data provides the Marine Corps with a truly one-of-a-kind integrated pay, personnel, manpower, and accounting system, able to streamline budget execution and reconciliation. Having an integrated Total Force system has been a key to minimizing difficulties for our reserves as they are mobilized. The Marine Corps Total Force System serves as the foundation for ongoing re-engineering of our administrative processes into the Total Force Administration System. This new system will provide a web-based, virtually paperless self-serve capability for all Marines via our web portal, Marine On-Line. This year, we will not only increase our individual self-serve capability, but will automate many unit capabilities such as leave, morning reports, and promotion recommendations. For the first time commanders will have the flexibility to decide at what level information is input into our Marine Corps Total Force System. In a tremendous advance, Marines at all levels will access Marine On-Line to view information on themselves and the Marines in their charge.

We have created the foundation of a shared data environment by leveraging the data contained in the Marine Corps Total Force System via the Operational Data Store Enterprise, our database of current personnel information, and our Total Force Data Warehouse, our database of historical personnel information. This shared data environment allows full integration of our digitized personnel files with the Marine Corps promotion board process, giving us as advanced and comprehensive a promotion process as there is among the Services.

### **Marine for Life**

The commitment to take care of our own includes a Marine's transition from active service back to civilian life. The Marine For Life Program's mission is to provide sponsorship for our more than 27,000 Marines who honorably leave active service each year. The program was created to nurture and sustain the positive, mutually beneficial relationships inherent in our ethos, "Once a Marine, Always a Marine." In cities across the United States, reserve Marines help transitioning Marines and their families get settled in their new community. Sponsorship includes assistance with employment, education, housing, childcare, veterans' benefits, and other support services needed to make a smooth transition.

To provide this support, Marine For Life taps into the network of former Marines and Marine-friendly businesses, organizations, and individuals that are willing to lend a hand to a Marine who has served honorably.

Initially begun in fiscal year 2002, the program will reach full operational capability this fiscal year. In addition to 110 reserve Marines serving as "Hometown Links," an enhanced web-based electronic network, easily accessed by Marines worldwide, will support the program. The end state of the Marine For Life Program is a nationwide Marine and Marine-friendly network available to all Marines honorably leaving active service that will improve their transition to civilian life and ensure that no Marine who honorably wore the Eagle, Globe, and Anchor is lost to the Marine Corps Family.

### **CONCLUSION**



Through the remainder of fiscal year 2004, and into fiscal year 2005, our Nation will likely remain challenged on many fronts as we prosecute the Global War on Terrorism. Services will be required to meet commitments, both at home and abroad. Marines, sailors, airmen, and soldiers are the heart of our Services – they are our most precious assets – and we must continue to attract and retain the best and brightest into our ranks. Transformation will require that we blend together the “right” people and the “right” equipment as we design our “ideal” force. Personnel costs are a major portion of the Department of Defense and Service budgets, and our challenge is to effectively and properly balance personnel, readiness, and modernization costs to provide mission capable forces. We are involved in numerous studies in the area of human resources strategy designed to support an integrated military, civilian, and quality of life program, within which we must balance the uniqueness of the individual services. In some cases a one-size fits all approach may be best, in others flexibility to support service unique requirements may be paramount. Regardless, we look forward to working with the Congress to “do what’s right” to maintain readiness and take care of your Marines.

The Marine Corps continues to be a significant force provider and major participant in joint operations. Our successes have been achieved by following the same core values today that gave us victory on yesterday’s battlefields. Our active, reserve, and civilian Marines remain our most important assets and, with your support, we can continue to achieve our goals and provide what is required to accomplish the requirements of the nation. Marines are proud of what they do! They are proud of the “Eagle, Globe, and Anchor” and what it represents to our country. It is our job to provide for them the leadership, resources, quality of life, and moral guidance to carry our proud Corps forward. With your support, a vibrant Marine Corps will continue to meet our nation’s call as we have for the past 228 years! Thank you for the opportunity to present this testimony.

Semper fidelis.

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON ARMED SERVICES  
TOTAL FORCE SUBCOMMITTEE  
UNITED STATES HOUSE OF REPRESENTATIVES

Subject: Military Personnel Policy, Benefits and Compensation  
Overview

Statement of: LIEUTENANT GENERAL RICHARD E. BROWN III  
DEPUTY CHIEF OF STAFF FOR PERSONNEL, USAF

24 March 2004

## INTRODUCTION

Over the last decade, and especially the past three years, America's Airmen responded to dramatic changes in our force structure and the world security environment. Since 1991, we reduced our active duty force by nearly 40% (from 608,000 to 375,000), while remaining engaged around the world at levels higher than any time during the Cold War. To prevail in a dangerous and ever-changing world, we completely transformed our Air Force from a heavy, forward-based presence designed to contain the Soviet Union and allied communist governments into an agile expeditionary force, capable of rapidly responding on a global scale, with tailored forces ready to deal with any contingency. Following the attacks of 11 September 2001, our transformation took on an even more urgent and accelerated pace to respond to the world situation and our domestic security environment. This transformation produced outstanding initial results -- but the journey is just beginning.

Although many challenges remain before us, we believe our focus is in the right place: towards the future. At the heart of our efforts is a plan to create an environment, and the associated tools necessary, to more deliberately develop Airmen to be the leaders of tomorrow at all levels. This force development culture extends across our force, encompassing officers, enlisted, civilians, and Guard and Reserve members. Our developmental change is driving major cultural changes in the Air Force, beginning with a common Airman culture that embraces diversity of thought, diversity of talent, and diversity of background and experience. This culture emphasizes the manner in which professional Airmen relate to each other, and includes a zero tolerance approach to inappropriate behavior of all kinds. Obviously, it encompasses a straightforward, determined approach to issues such as sexual harassment and sexual assault. We will continue to do everything in our power to prevent such behavior, root it out when we find it, and apply appropriate justice while providing all the support we can muster to victims. These issues, as tough and complex as they are, need to be fully embraced and understood at all levels of our force, to ensure every member of our team experiences the mutual respect, teamwork, and esprit de corps they earned and truly deserve. Our culture is grounded in our core values as Airmen: Integrity, Service, and Excellence, forming a solid foundation for the Total Force team -- active duty, Guard, Reserve, and civilians.

We recognize the Herculean effort all members of the force put forth to defend America and her interests abroad, and in particular the stress we placed on members of the Air National Guard and Air Force Reserve. We are making every effort to relieve the stress on the Citizen Airmen who make-up those mission-essential forces, just as we are making every effort to relieve the stress on many of our active duty members in critical warfighting skills while we work to get down to our end strength objectives.

As we respond to the many challenges we face, it is important we take time to recognize and support the tremendous sacrifices made by Air Force family members, whose contributions to the overall Air Force team are as crucial as those of any other team members -- sometimes more so.

Finally, as Airmen, we've renewed our look at the very real demands our people must endure, as well as their long term well being. We refocused our health and physical conditioning efforts to emphasize fitness for life, a vision, with the needed leadership behind it to recognize the inherent relationship between physical fitness, mental acuity, and battlefield survival. Balancing all of these inter-related priorities is an important, complex task. These priorities are extremely critical to our force, service culture, and the nation. We must get them right: to always be ready to respond to our nation's call.

None of this would be possible without the exceptional support Air Force personnel receive from the Congress. Over the last several years, you approved significant advances in pay, benefits, and retention incentives for the men and women who serve in all of the military services. These initiatives made a significant difference for the readiness of your Air Force and the quality of life of our members and their families. They improved retention and increased enlistments, essential to keeping the highly trained professionals in the ranks. The poor retention trend we experienced in recent years has been reversed, a testimony to both your support and the patriotism of young Americans who join and continue to serve -- but we have to remain focused. As we've experienced in the past, positive retention trends are dependent on many rapidly changing dynamics and we can't afford to take our eyes off the ball. Thus, in the coming years we will continue to watch our retention of key warfighting career fields. We've made much progress -- but the battle is not won.

In addition, we would like to thank the Congress for taking the initiative to approve DoD's National Security Personnel System (NSPS). NSPS allows us to modernize our civilian personnel management system to meet the unique demands of the national security mission. We believe NSPS is essential to the Air Force's ability to accomplish its Air and Space mission in these challenging times. NSPS' flexibilities will allow us to attract and retain "the right people for the right jobs at the right time", expedite military to civilian conversions, and quickly meet the ever changing demands for support of the Global War on Terrorism.

The Air Force enthusiastically and energetically supports NSPS and is committed to implementing it aggressively and responsibly. While some of NSPS' elements may be considered radical departures from current processes, it is critical that we are not diverted from moving forward on executing NSPS. Any delay will be detrimental to our transformation efforts and our ability to move toward a more responsive posture.

This combined statement of both the Assistant Secretary for Manpower and Reserve Affairs and the Air Force Deputy Chief of Staff, Personnel, develops each of the themes just mentioned in greater detail. This statement represents our vision of the way ahead for Air Force people.



To place these issues in context, we begin by discussing the Air Force core competency directly affecting every Air Force member: Developing Airmen. This core competency is at the center of our strategic vision for Air Force personnel.

## **DEVELOPING AIRMEN -- RIGHT PEOPLE, RIGHT PLACE, RIGHT TIME**

At the heart of our combat capability are the professional Airmen who voluntarily serve the Air Force and our nation. Airmen create air and space power. Our Airmen turn ideas, tools, tactics, techniques, and procedures into global mobility, power projection, and battlespace effects. It is with this understanding the Air Force embraced a new Personnel Vision and Strategic Planning Construct to help transform management of "Airmen" across the Total Force (active duty, Air National Guard, and reserve; officer, enlisted, and civilian).

We're refocusing our personnel processes and delivery systems on achieving the capabilities and creating the effects which produce for our Air Force the Right People, possessing the skills, knowledge, and experience necessary to perform their missions at the Right Place and Right Time. This new vision succinctly states the role of our manpower, personnel, and training professionals: defining mission requirements; continually refreshing the pool to maintain an effective balance of youth and vigor, age and experience; deliberately developing the skills, knowledge, and experience our combatant and support missions require; meeting the needs of our Airmen and their families to sustain the Force; and providing synchronized and integrated program management and service delivery systems.

Our strategic goals focus on the effects of the personnel mission and the specific capabilities our system offers to our Airmen and their leaders:

**Define:** Implement a capabilities-based requirements system that meets surge requirements and optimizes force mix (Active duty, Air Reserve Component, civilian, and contractors) to produce a flexible and responsive force

**Renew:** Maintain a diverse, agile workforce that leverages synergy between active duty, air reserve and civilian components, and private industry to meet requirements and sustain capabilities

**Develop:** Synchronize training, education, and experience to continuously create innovative, flexible, and capable Airmen to successfully employ air and space power

**Sustain:** Sustain required force capabilities through focused investment in Airmen and their families

**Synchronize:** Implement a robust strategic planning construct, understand Air Force Human Resource investment, and link programming and legislative development to the plan

**Deliver:** Transform customer service by delivering a leaner, more cost-effective, customer-focused Human Resource Service to support the Air Expeditionary Force

The four overarching goals (Define, Renew, Develop, and Sustain) will serve as our framework for the written testimony that follows, just as they serve as the underlying

framework for our personnel vision. In each of these areas we will discuss key issues facing the Air Force today, and what we are doing to look forward and ensure we are building the right force for tomorrow. (Note: The goals "synchronize" and "deliver" focus on the specific means by which we achieve the four overarching goals).

#### DEFINE:

As we define the Air Force of the future, we must determine our end strength needs, we must shape the force to meet those needs, and we must relieve the current stress on our most heavily stressed career fields. These are complex and interrelated issues. The process we use to approach this challenge is grounded in how we manage our Total Force of Air Force active duty members, Air National Guard, Air Reserve, and Air Force civilians. It also encompasses the steps we're taking to relieve pressure on our Guard and Reserve forces.

#### -- End Strength:

During the last several years, the Air Force brought thousands of sharp, motivated people into our ranks -- essentially, those who wanted to serve in the Air Force were welcomed. To meet end strength, we rolled up our sleeves and increased recruiting. The attacks of 11 September 2001 prompted incredible patriotism, surging our growth and putting us well above end strength. We are proud of the efforts of our outstanding Air Force professionals in the war on terrorism and are delighted that so many people want to be a part of our winning team. This very positive fact and the slowed economy reduced what would have been normal attrition. In other words, not as many people left the Air Force in the last several years as we had anticipated.

As a result, for the last several years we exceeded our authorized active duty end strength of 359,000. Air Force active duty military end strength (i.e. billets) is capped at 359,300 for FY 04, 359,700 for FY 05, and 360,000 for the years FY 06 through FY09. The actual number of personnel assigned to the Air Force at the end of FY03 was 375,000 -- approximately 16,000 personnel above our currently authorized limit. This is a temporary situation fueled by the Global War on Terrorism (GWOT), and we are working towards compliance. As we work to reduce the size of our active force by 16,000 people over the next several years, we will also work to reshape the force to correct existing skill imbalances and account for a new range of missions in the GWOT.

Because we have more people in the Air Force than the number of our currently authorized billets, it led some to ask: "Do we need to increase the size of the force to accomplish the mission especially with increased/extended mobilization?" The answer is, first we need to ensure we're using the people we have in the most efficient and effective way. The Air Force and DoD are constantly reviewing end strength needs and we feel we have not exhausted all potential internal sources to address stress on the force. People costs account for a significant portion of the Department's budget -- we feel strongly that the Air Force must exhaust all other possibilities before requesting an expensive increase to military end strength.

The Guard and Reserve forces supporting our Total Force team are designed to meet the Nation's call in times of crisis, such as the current Global War on Terrorism. Guard and Reserve activation in times of crisis is not, in and of itself, a reason to seek an increase to end strength. As part of our review, we are taking a hard look at missions currently assigned to Active, Guard, and Reserve in light of the foreseeable future requirements for conflicts. Our goal is to minimize the instances the Air Force needs to call on the Guard and Reserve and to minimize the length of time they are activated.

#### -- Shaping the Force:

The Air Force is planning to implement several measures to shape the force towards our authorized end strength; knowing as we do so, we must also reduce the stress on many of our "over stressed" career fields. This will be a multiple step process, but our guiding principles will be simple -- we want to properly size the Air Force to meet the needs of our Air Expeditionary Force construct, our in-garrison requirements and our training requirements. We need to ensure we draw down smartly, by specialty (and by specific year groups within those specialties) where we have more people than required. At the same time, we want to correct our skill imbalances. Perhaps most importantly, as we shape the force, we want to be sure we avoid involuntary "draconian" measures that break faith with our people. With these guiding principles clearly in view, we are taking a number of deliberate and very specific steps to shape the force.

In broad terms, we're addressing force shaping in two ways: first, reducing personnel overages in most skills; and second, shaping the remaining force to meet mission requirements. To reduce personnel, we will employ a number of voluntary tools to restructure manning levels in career specialties, while adjusting our active force size to our authorized end strength requirements. As we progress, we will evaluate the need to modify or implement additional force shaping measures.

We are taking a hard look at where our people are. We have Airmen serving in jobs outside the Air Force who don't deploy as part of an Air Expeditionary Force (AEF). Some of these, such as joint positions and some defense agency positions, require uniformed people, and we benefit by having an Airman's perspective in those jobs. Others, however, may not require an Airman or a military person at all. These are positions we are working to reclaim into our ranks. By taking the steps to return these airmen "to the fold", we will ensure we have more people available to support our critical warfighting skills. In addition, we will increase the number of personnel available to support AEF rotations overseas, which in turn will reduce stress on the rest of the force.

Until very recently, we had not implemented all the manpower cuts at unit level we agreed too during the 1990s. We've now made the adjustments in our books -- over 13,000 positions eliminated -- but we still need to move some of the people. That



means we have Airmen with advanced training and professional skills filling positions that no longer exist.

The Air Force Deputy Chief of Staff for Personnel is overseeing a program that will move us toward our goal of getting our strength and skill mix right. This program includes initiatives such as restricting reenlistment in overage career fields, voluntary transfers from Active Duty to the Guard and Reserves, shortening service commitments, limiting officer continuation for those deferred for promotion, commissioning ROTC cadets directly into the Guard and Reserves, limiting reclassification of those eliminated from technical school, rolling back separation dates, and officer and enlisted retraining.

If at all possible, our goal is to give every qualified Airman who wants to stay in the Air Force the opportunity to do so. In addition, we will use every tool to shape the force we have available to avoid the extreme measures used in the early 1990s, which undermined the morale and confidence of the force.

#### -- Stressed Career Fields:

The events of 9/11 and subsequent increases in deployments to support a variety of operations around the globe resulted in a significant increase in our operations tempo and sharply accelerated the existing stress on the force. Complicating this problem is the fact that the additional stress is unequally distributed across the various Air Force skill sets. Nevertheless, the Air Force is working to level the stress across the force to an acceptable rate, albeit higher than pre- 9/11 stress levels.

The Department of Defense initiated 20,000 military to civilian conversions beginning in FY 04. The Air Force share was 4,300 of these. The Air Force was also working on realigning our military authorizations into stressed career fields that better address post 9/11 workloads. We addressed reducing and balancing stress with numerous manpower and personnel initiatives. Beginning in FY03, we redirected 1,110 initial accession/training students to our most stressed specialties. In FY04, we expanded our efforts with actions including: redirecting an additional 1,060 initial accession/training students to stressed specialties; identifying 1,400 authorizations to redirect to Security Forces; adding over 900 civilian authorizations to stressed areas to free up military members for warfighting duties; and moving another 900 billets from less stressed to most stressed AFSCs. For FY05, we project the realignment of an additional 900 billets from less stressed to most stressed AFSCs -- along with adding 1,600 military billets to these specialties through a combination of mil-civ replacements and other programmatic actions. We are also finalizing requirements for additional training and accession adjustments. Finally, we've already begun to address FY06 by dedicating another 400 military positions for stress in our initial calculations.

Significant technology solution purchases made during FY 03 are also offsetting manpower requirements. A Security Forces \$352M technology purchase reduced unfunded Security Forces manpower requirements by 3,000 (with 1,600 of these in the active duty) beginning in FY 04. Additional significant efforts are underway to further relieve and balance stress. We continue to work with Defense Agencies to reduce our total number of military positions in these functions, replacing them with civilians where



appropriate. Collectively, these efforts are enabling the Air Force to meet the Secretary of Defense's vision of moving forces "from the bureaucracy to the battlefield."

-- Total Force Management -- Active, Guard, Reserve and Civilian:

Today we are also shaping what our Total Force will look like in the future. As we carefully review what each component brings to the fight, we work to ensure the best capabilities are retained and nurtured. Just as in combat overseas, we continue to pursue seamless ARC and active duty integration at home, leveraging the capabilities and characteristics of each component, while allowing each to retain their cultural identity. We continue to explore a variety of organizational initiatives to integrate our Active, Guard, and Reserve forces. These efforts are intended to expand mission flexibility, create efficiencies in our Total Force, and prepare for the future. Today's Future Total Force team includes a number of integrated or associate units either programmed or already hard at work. The creation of the "integrated" unit, the 116th Air Control Wing at Robins Air Force Base, Georgia, elevated integration to the next level. With an initial deployment of over 730 personnel and significant operational achievements in OIF, we're now examining opportunities to integrate Active, Guard, and Reserve units elsewhere in order to produce even more measurable benefits, savings, and efficiencies. The reasons for this type of integration are compelling. Integrating Active, Guard, and Reserve forces to optimize the contributions of each component will help us maximize our warfighting capabilities. Reservists and Guardsmen bring with them capabilities they acquired in civilian jobs, leveraging the experience of ARC personnel. As an added benefit, integration relieves PERSTEMPO on the active duty force. Because ARC members do not move as often, they also provide much needed corporate knowledge, stability, and continuity. Finally, integration enhances the retention of Airmen who decide to leave active service. Because the Guard and Reserve are involved in many Air Force missions, we recapture the investment we've made by retaining separating active duty members as members of the ARC.

-- Relieving Pressure on the Guard and Reserve:

We are reviewing our Guard and Reserve manpower to minimize involuntary mobilization of ARC forces for day-to-day, steady state operations, while ensuring this crucial part of the force is prepared to respond in times of crisis. Since 9/11, we've mobilized more than 64,900 Air Force Guard and Reserve personnel in over 100 units, and many more individual mobilization augmentees. Today, 20 percent of our Air Expeditionary Force (AEF) packages are comprised of Citizen Airmen. In addition, members of the Guard or Reserve conduct 89 percent of Operation NOBLE EAGLE missions. We recognize these demands placed significant stress on our ARC forces, and we are taking steps to relieve the pressure.

In FY05, we plan to redistribute forces in a number of mission areas among the Reserve and Active components to balance the burden on the Reserves. These missions include our Air and Space Operations Centers, remotely piloted aircraft systems, Combat Search and Rescue, Security Forces, and a number of high demand global

mobility systems. We are working to increase Guard and Reserve volunteerism by addressing equity of benefits and tour-length predictability, while addressing civilian employer issues.

An essential element in our efforts to promote volunteerism is to provide predictability via the AEF rotation schedule. Not only are ARC members integrated into a predictable Total Force AEF schedule, but units are also afforded flexibility through internal Guard and Reserve rotations for AEF support in the case of high-demand/low density specialties. For example, in executing the COMMANDO SOLO Special Operations mission, the Pennsylvania Air National Guard's 193d Special Operations Wing uses predictable 45-day rotations. In this way, even with a high operational tempo, members are afforded a high degree of predictability, easing pressure on them, their families, and their employers.

There is no doubt in the Global War on Terror, the United States Air Force relied on the critical mission skills our Guard and Reserve warriors bring to the fight. Simply put, we could not have accomplished the mission without them. But we also recognize, in the long-term, we must make every effort to relieve the pressure on our ARC forces. Just as we must take steps to ensure the long-term health of our active duty forces, so too must we ensure the long-term health, combat capability, and career viability of our citizen soldiers in the Air Guard and Reserve. We are committed to doing so.

## **RENEW**

Our focus on renewing our force will examine the issues of recruiting, retention, and diversity, and their overall effect on the health of our force.

### **-- Recruiting:**

To renew our force, we target our recruitment to ensure a diverse force with the talent and drive to be the best Airmen in the world's greatest Air Force. We will recruit those with the skills most critical for our continued success. In FY03, our goal was 5,226 officers and 37,000 enlisted; we exceeded our goal in both categories, accessing 5,419 officers and 37,144 enlisted. For FY04, we plan to access 5,795 officers and as many as 37,000 enlisted. We are considering whether to reduce our recruiting goal below 37,000 enlisted this year to complement our overall force shaping goals. In FY05, we plan to reduce new accessions from 37,000 to 35,600. In FY06, accession targets were revised still lower to 34,600.

These measured decrements in our recruiting goals are part of our very deliberate effort to bring down the overall size of the force (to meet our end strength objectives) without jeopardizing the long-term health of the force by drastically slashing the number of our new accessions. As we learned after the post-Cold War draw down when we slashed the number of accessions and associated training (we cut pilot training, for example, from 1,500 per year to 500 per year), the unintended consequence was the creation of personnel deficits in our inventory of trained personnel, with long term structural shortages of particular year groups that will be with us for up to 20 years. This time, in our efforts to solve a short-term issue, we're determined not to create a long-term

problem of even greater significance. This is one of the cornerstones of our approach to renewing the force in the environment of the early 21<sup>st</sup> century.

We also closely monitor recruitment for the Air Reserve Component (ARC). Historically, the ARC -- comprised of the Air National Guard and Air Force Reserve -- access close to 25 percent of eligible, separating active duty Air Force members with no break in service between their active duty and ARC service.

Although we are currently meeting our recruiting goals and maintaining high standards for accessions, we need to keep our focus. Your continued support of our recruiting and marketing programs goes a long way to keeping the Air Force competitive in an uncertain job market. We are mindful of our experience of a decade ago. In a period when recruiting and retention looked positive, we allowed our recruiting investments to lag behind the growing challenges of the market place and found ourselves chasing a "sine wave." In the past several years, we reversed course and made the investments needed to tune our recruiting engine. We need to sustain that engine now with proper care and maintenance. Additionally, these investments contribute to improved esprit de corps within our force, and further our efforts to retain the right people and shape our force for the future.

#### -- Retention:

The Air Force is a retention-based force. Because our Airmen's skill sets are not easily replaced, we expend considerable effort to retain our people, especially those in high technology fields and those in whom we invested significant education and training. In 2003, we reaped the benefits of an aggressive retention program, aided by a renewed focus and investment on education and individual development, enlistment and retention bonuses, targeted military pay raises, and quality of life improvements. While we are still grappling with skewed retention numbers affected by STOP LOSS in 2002, we are nevertheless seeing very positive signs overall. Our officer retention rates for FY03 and so far in FY04 are above previous years. For the enlisted force, our retention is healthy, but we must continue to actively manage our force. Our current first term retention rate is 67%, well above our goal of 55%. For second term, we are on the mark with 75%, and we're retaining 98% of our career Airmen, exceeding our 95% goal.

Part of our ability to succeed in our recruiting and retention efforts stems directly from our ability to offer bonuses and incentives to groups where we traditionally need extra help. Our retention efforts mirror our comments about recruiting: Our efforts right now are paying dividends for the Air Force and we must sustain this trend for the future. We fully recognize our ability to offer bonuses is a valuable and scarce resource, which is why we've ensured active senior leadership management in these programs, including semi-annual reviews to determine which career specialties, and which year groups within those specialties, are eligible for bonuses.

#### -- Diversity:



In this new era, successful military operations demand much greater agility, adaptability, and versatility to achieve and sustain success. This requires a force comprised of the best our nation has to offer, from every segment of society, trained and ready to go. The capabilities we derive from diversity are vital to mission excellence and at the core of our strategy to maximize our combat capabilities. Our focus is building a force consisting of men and women with keener international insight, foreign language proficiency, and wide-ranging cultural acumen. Diversity of life experiences, education, culture, and background are essential to help us achieve the asymmetric advantage we need to defend America's interests wherever threatened. Our strength comes from the collective application of our diverse talents, and is a critical component of the air and space dominance we enjoy today. We must enthusiastically reach out to all segments of society to ensure the Air Force offers a welcoming career to the Nation's best and brightest, regardless of their background. By doing so, we attract people from all segments of society and tap into the limitless talents resident in our diverse population.

## DEVELOP

Over the past year, the Air Force implemented a new force development construct to get the right people in the right job at the right time with the right skills, knowledge, and experience. Force development combines focused assignments, along with education and training opportunities, to prepare our people to meet mission needs. Rather than allow chance or happenstance to guide an Airman's experience, we will take a deliberate approach to develop officers, enlisted, and civilians throughout our Total Force. Through targeted education, training and mission-related experience, we will develop professional Airmen into joint force warriors with the skills needed across the tactical, operational and strategic levels of conflict. Their mission will be to accomplish the joint mission, motivate teams, mentor subordinates, and train their successors.

One of the first steps in implementing our development efforts was the creation of individualized development plans. These plans are a critical communication tool capturing the member's "career" development ideas, including desired career path choices, assignment and developmental education preferences. These plans are routed through the chain of command, to include their most senior commanders, for endorsement. The newly created Development Team (DT), comprised of senior leaders from the functional community, carefully reviews each individualized career plan, along with commander's comments, and Senior Rater input. Targeting Air Force requirements, the teams place a developmental "vector" into the plan as input for our assignment teams, and immediate feedback to the member and commander regarding their expressed development plans. Assignment Teams match members to assignments using DT vectors; thus, "developing" our people to meet Air Force requirements.

This year we also saw a continued focus on Developmental Education (DE) with continued expansion to include not only traditional Professional Military Education (PME), but also advanced academic degree programs, specialty schools, fellowships, education with industry, and internships. Our development teams are using the



individualized development plans, along with the member's record and Air Force requirements, to make educational recommendations to the Developmental Education Designation Board. This board designates the right school for the right member at the right time. Intermediate Developmental Education and Senior Developmental Education prepare members for a Developmental Assignment (DA) following the respective schools. This two-dimensional process facilitates the transition from one level of responsibility to the next. All developmental education assignments are made with the emphasis on the best utilization the member's background, functional skills, and valuable time.

One of our most recent development efforts has been broadening the focus to include our enlisted corps. Beginning with the next promotion cycle, we will stand up a new top-level course of enlisted professional military education designed specifically for those selected to serve as Chief Master Sergeants. The course will focus on leadership in the operational and strategic environments, and constitute a substantial leap forward in the development of our Chiefs.

Another segment of warriors requiring special attention is our cadre of space professionals -- those that design, build, and operate our space systems. As military dependence on space grows, the Air Force continues to develop this cadre to meet our Nation's needs. Our Space Professional Strategy is the roadmap for developing that cadre. Air Force space professionals will develop more in-depth expertise in operational and technical space specialties through tailored assignments, education, and training. This roadmap will result in a team of scientists, engineers, program managers, and operators skilled and knowledgeable in developing, acquiring, applying, sustaining, and integrating space capabilities.

The bottom line of our Force Development effort is to provide an effects and competency based development process by connecting the depth of expertise in the individual's primary career field (Air Force Specialty Code) with the necessary education, training, and experiences to produce more capable and diversified leaders. Every aspect of the Total Force Development construct develops professional Airmen who instinctively leverage their respective strengths as a team. The success of this effort depends on continued cultivation and institutional understanding of and interest in Force Development, promoting an understanding of the competency requirements of leaders, and funding for the associated development initiatives.

## **SUSTAIN**

Under this final area of our strategic goals, we will focus on two issues of great importance to the health of our force: Quality of Life for our Air Force members (to include their families) and Physical Fitness.

-- Air Force Quality of Life Program:

A cornerstone of the Air Force's efforts to sustain the force centers on the "Air Force Quality of Life Program". In the Air Force we define Quality of Life (QoL) as a system of

networks – formal and informal – leveraged by leadership to provide superior support and services to our Total Force members and their families. We assess Air Force QoL based on the level of satisfaction of our service members in eight areas: compensation and benefits, workplace environment, operations and personnel tempo, health care, housing, community and family programs and educational programs.

The most recent Chief of Staff of the Air Force (CSAF) QoL Survey was a good news story for Air Force QoL initiatives. The survey validated the current Air Force perspectives on QoL priorities. The overall response rate to the survey was 45%, the highest in the past five survey administrations. Air Force senior leaders use the QoL survey data to establish working priorities, develop or update Air Force policy, build justification for new legislative initiatives and budget plans and establish new road maps to improve Air Force QoL.

The Community Action Information Board and Integrated Delivery System processes made great progress in providing families access to the services they need vice trying to fit their needs around an existing menu of programs. The Air Force, in conjunction with DoD and the other Services are launching "One Source" -- a service that provides families with 24/7 access to information through a website and a 1-800 call-in number. The 1-800 number is staffed with highly trained personnel who can rapidly assess the needs of those who call and match them to the services they need.

One additional highlight of our quality of life focus is housing investment. Through military construction and housing privatization, we are providing quality homes faster than ever before. Over the next three years, the Air Force will renovate or replace more than 40,000 homes through privatization. At the same time, we will renovate or replace an additional 20,000 homes through military construction. With the elimination of out-of-pocket housing expenses, our Air Force members and their families now have three great options -- local community housing, traditional military family housing, and privatized housing.

#### -- Physical Fitness:

The final area we will examine concerns our new vision for the physical health and fitness of our force. The reasons for this emphasis are a reflection of our change in culture and the realities of the world situation. Today's demanding missions require Air Force personnel to deploy for long periods of time away from family, sometimes to austere conditions to work long hours in extreme temperatures. With those demands comes a renewed focus on the health and fitness of our Air Force. We instituted new standards and regulations requiring leadership at every level to take responsibility for a fitness standard that prepares our Airmen for the rigors of the mission.

The increased recognition of the fitness impact on readiness drives an emphasis on fitness center repair and construction. We will continue to aggressively provide the necessary resources to support and maintain all areas of fitness, including construction, equipment and training. These facilities, coupled with the focus of unit leaders, will give our Airmen the means to maintain and improve their health and fitness, ensuring our force is "fit to fight" now, and in the future.

**CONCLUSION**

The Air Force team is moving into the 21<sup>st</sup> century assured of only three things: challenges will be great, resources given to us by the American people -- to include their sons and daughters -- are resources that require our best possible stewardship, and most importantly -- superior leadership will be indispensable. We are committed to providing the nation with the best-trained, best led, personnel on the planet. It's that simple -- and that important.

## TESTIMONY

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### Developing and Using General and Flag Officers

HARRY J. THIE

CT-221

March 2004

Testimony presented to the House Armed Services Committee, Subcommittee on  
Total Force on March 24, 2004

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**Statement of Harry J. Thie<sup>1</sup>****Before the Committee on Armed Services, Subcommittee on Total Force  
U.S. House of Representatives****March 24, 2004**

Mr. Chairman, members of the subcommittee, thank you for the opportunity to be here today. This statement is based on research conducted by myself and three RAND colleagues, Dr. Margaret Harrell, Peter Schirmer, and Kevin Brancato. Dr. Harrell co-led this research effort with me.

The Secretary of Defense has expressed concern that general and flag officer<sup>2</sup> assignments are too short, that the amount of service after promotion is too short, and that their careers don't last long enough. The Secretary is also concerned that undesirable aspects of the way generals and flag officers (G/FOs) are managed currently include high turbulence and turnover in assignments, and the loss of vigorous and productive officers to retirement from the military. Congress expressed similar concerns in the 1997 NDAA when it increased the allowed time in service to 38 and 40 years for O-9 and O-10 respectively. Additionally, the Office of the Secretary of Defense is concerned that such rapid turnover of assignments reduces organizational

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<sup>1</sup> The opinions and conclusions expressed in this testimony are the author's alone and should not be interpreted as representing those of RAND or any of the sponsors of its research. This product is part of the RAND Corporation testimony series. RAND testimonies record testimony presented by RAND associates to federal, state, or local legislative committees; government-appointed commissions and panels; and private review and oversight bodies. The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors.

<sup>2</sup> General officers of the Army, Air Force, or Marine Corps, and flag officers of the Navy include those in paygrades O-7 (i.e., brigadier general, rear admiral (lower half)), O-8 (i.e., major general, rear admiral), O-9 (i.e., lieutenant general, vice admiral), and O-10 (i.e., general, admiral). By law there are about 900 general and flag officers, of which approximately 50 percent are O-7s, 35 percent are O-8s and 15 percent are O-9s and O-10s.

effectiveness, dilutes individual accountability among the leadership, limits career satisfaction of senior officers, and erodes confidence of junior and mid-level officers who see their military leadership moving through their organizations too quickly to gain more than a superficial understanding.

For their part, the military services concern themselves with the flow of promotions through 10 officer ranks, O-1 through O-10. This flow, particularly for the more senior officers, has conditioned officer expectations. Thus, the services' concern is that lengthening the tenure of senior officers could clog the system, causing promotions to stagnate throughout the officer corps, and affecting retention.

The Department of Defense asked RAND's National Defense Research Institute (NDRI) to assess the promotion, assignment, and tenure issues of general and flag officer management. This research project was designed to establish the baseline assessment of what general and flag officer careers currently look like, to analyze possible changes to the current management, and to assess whether such changes might resolve the identified concerns. The research approach included a review of private sector literature to understand how private sector organizations manage their senior executives, analysis of promotion patterns and management of general and flag officers, modeling and assessment of different career management models and the resulting policies and practices, and interviews with senior military officers to capture their understanding of the current system as well as likely behavioral responses to a changed system. A RAND report released in March 2004 by Margaret C. Harrell, Harry J. Thie, Peter Schirmer, and Kevin Brancato, *Aligning the Stars: Improvements to General and Flag Officer Management* (MR-1712-OSD) fully documents the research.

### **Senior Officers Flow Rapidly Through the System**

Our empirical assessment of the promotion patterns and career tenures of general and flag officers confirms that senior officers retire relatively early, and they are able to do so by moving relatively rapidly through both assignments and ranks. For example, before promotion, officers spend approximately three years as O-7s, two to two-and-a-half years as O-8s, and two-and-a-half years as O-9s. The three years at O-7 typically split between two 18-month assignments in some services and either 12 months or two years in others; then most officers will fill one to two

assignments at each subsequent pay grade. Officers promoted upward show slightly different assignment patterns: They also tend to serve two assignments at grade O-7 but are slightly more likely to have only one assignment at O-8 and O-9 on their way to O-10. Thus, the result is an assignment pattern in which retiring O-10s typically have a total of five to six assignments.

G/FOs tend to retire from the military with approximately 29–36 years of service. O-7s have 29 to 32 years of service. Those destined for eventual promotion to O-10 tend to get promoted to O-7 sooner than their peers do. The cumulative effects of this pattern are that most retiring O-10s have spent approximately 10 years as a G/FO, while departing O-7s have spent an average of three years as a G/FO.

Consistent with expressed concerns, while assignments are slightly longer at the higher G/FO pay grades, most are shorter than 30 months. G/FOs promoted to the highest ranks tend to have had two assignments while at O-7 but only one at higher pay grades. This is consistent with quick promotion through the pay grades. While officers spend three years at O-7 (split between two assignments), they spend only two to two-and-a-half years at O-8 and two-and-a-half years as O-9 before promotion.

### **Private Sector Senior Executive Management: Stability at the Top**

Private sector research indicates that companies have a method of developing their high potential executives.<sup>3</sup> These individuals spend their earliest assignments in positions that involve a high degree of organizational and personal learning. As they move up, they have increasing exposure to conceptual and strategic (rather than tactical) issues and increasing exposure to corporate culture, risk management, and broad contexts in which decisions are made. Thus, there is an evident pattern that indicates that some jobs are developmental opportunities for individuals, as a maximum number of individuals are exposed to these assignments as learning opportunities, and are rotated out of them before they might reach full or peak productivity. Individuals spend much longer and make more significant contributions in other positions that

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<sup>3</sup> Morgan W. McCall, Jr., Michael M. Lombardo (contributor) and Ann M. Morrison (contributor), *The Lessons of Experience: How Successful Executives Develop on the Job*, New York: The Free Press, 1989.



are intended to reap the organizational benefits of earlier development.<sup>4</sup> We use the shorthand of "developing jobs" and "using jobs" to represent this dichotomy of positions.

Additional research also indicates that executives follow predictable learning and decision-making patterns in a new assignment.<sup>5</sup> These patterns indicate that most executives require two and a half to three years in a job before they are no longer considered new managers and can be influential and effective. As executives progress through an organization, their rate of movement among positions tends to slow, either because the individual is reaching the limits of his or her effectiveness,<sup>6</sup> because more senior and complex jobs require longer tenure, or because the individual has reached the most senior levels, at which he or she may serve for many years, assuming satisfactory performance. CEOs average more than 8 years tenure in the position, almost 70 percent serve to age 60 or older, and about 15 percent depart as a result of poor performance.<sup>7</sup> This is consistent with shorter developmental assignments and with longer using assignments.

### **How Does the Military Develop Its Most Senior Leaders?**

Understanding the private sector practices provides a framework for more intensive data analysis of military leaders. We concentrated this analysis on those military communities that are habitually promoted to the highest rank, O-10. Thus, we focused on a subset of the Army line officers, to include infantry, armor, and artillery officers; Air Force pilots and navigators, Navy unrestricted line officers, and Marine Corps line officers.

A key aspect of this study is the distinction between developing jobs and using jobs. This distinction rests on the principle that work experience accumulates through a variety of manager and executive assignments that prepare the individual for increasingly demanding and complex jobs. Early assignments build functional skills, organizational knowledge, and personal insights. Later jobs tend to have more complex and ambiguous responsibilities that draw on the skills and

<sup>4</sup> Robert F. Morrison and Roger R. Hock, "Career Building: Learning from Cumulative Work Experience," in Douglas T. Hall, ed., *Career Development in Organizations*, Jossey-Bass, 1986, pp. 237.

<sup>5</sup> John J. Gabarro, *The Dynamics of Taking Charge*, Boston, MA: Harvard Business School Press, 1987.

<sup>6</sup> C. Brooklyn Derr, Candace Jones, Edmund L. Toomey, "Managing High-Potential Employees: Current Practices in Thirty-three U.S. Corporations," *Human Resource Management*, Fall 1989, Vol. 27, No. 3, p. 275.

<sup>7</sup> Charles J. Hadlock, Scott Lee, and Robert Parrino, "Chief Executive Officer Careers in Regulated Environments: Evidence from Electric and Gas Utilities," *Journal of Law and Economics*, October 2002, Vol. XLV, pp. 535-563; and Chuck Lucier, Eric Spiegel, and Rob Schuyt, "Why CEOs Fall: The Causes and Consequences of Turnover at the Top," *Strategy & Business*, Third Quarter, 2002.

knowledge developed in earlier assignments. Thus, some jobs develop an individual's skills, while others use skills previously developed. We conclude that using jobs should be longer than developing jobs, and our research into literature about the private sector supports this conclusion.

A detailed empirical analysis of the assignments of these officers confirmed the presence of developing positions, those frequently filled by officers subsequently promoted. We also identified using positions. These included some assignments from which an officer was seldom or never promoted, as well as assignments at the highest levels. We consequently divided each service's positions into developing and using jobs, based upon basic assumptions and the results of our data analysis.<sup>8</sup> First, we addressed each end of the system, so that all O-7 positions were categorized as developing positions and all O-10 positions were deemed using positions. The detailed analysis of O-8 and O-9 billets suggested a division of positions at those paygrades that differs for each service. This analysis was based on observation of apparent end point positions, from which no officer was ever promoted to the next paygrade as well as the typical development path of later O-9s and O-10s.<sup>9</sup> Thus, this division is observed in the data, given the past behavior, but is not considered prescriptive for the services.

Of interest are the differences among the services that emerged from this data analysis. These differences permit some understanding of the sensitivity of the developing/using distinction, and also suggest that the services' implementation of a revised system could vary. The resulting split of developing and using jobs, for the subsets of each service, by paygrade, appear in Table 1.

**Table 1**

**Percent of Using Assignments, by Service and Grade**

	O-7	O-8	O-9	O-10
Army	0	40	55	100
Navy	0	65	60	100
AF	0	44	28	100
USMC	0	30	11	100

<sup>8</sup> We include all positions in which officers of the identified communities have served. Thus, for example, the positions included for Army infantry, armor, and field artillery officers are much broader than just infantry, armor, field artillery positions.

<sup>9</sup> Positions that were not end-point positions but were also not clearly evident on future O-9 and O-10 resumes were conservatively included as developing positions.

After identifying past assignments as either developing or using, it is possible to examine the average assignment length for these different groups of assignments. Empirically, we found no real difference in tenure between developing and using jobs. O-8 assignments tend to last 18 to 24 months, regardless of the type of assignment. O-9 assignments were sometimes longer, with a few lasting up to 4 years. In general, however, O-9 assignment tenures were closer to 24 months. Thus, while we found evidence of using and developing positions, consistent with private-sector practice, we did not find differences in the tenure patterns of these types of positions.

### **Alternative Approaches for General and Flag Management**

To determine whether changed management practices would address OSD's concerns, we analyzed and modeled various general and flag officer management systems based upon the distinction between developing and using positions. The alternatives varied the length of developing and using jobs and the number of developing or using job assignments that military leaders would have at each paygrade. The proportion of using and developing positions for each service were based upon the empirically-derived numbers in Table 1. This analysis permitted us the opportunity to assess the feasibility and tradeoffs of different implementations.

The main finding is that officers can serve considerably longer in using jobs without clogging the system, i.e., hampering the promotion process which is a concern of personnel managers in the military services. In fact, some alternatives promote a greater number of officers to the grade of O-7 while increasing the job tenure of more senior officers. Other alternatives suggested inconsistencies or infeasible implementations. For example, if developing jobs last two years and using jobs four, most services cannot promote sufficient numbers of officers to the grade of O-9 if all officers serve multiple developing jobs at both grades of O-7 and O-8.

The best career model that emerged from the many alternatives is as follows: Developing jobs last a minimum of two years. Ideally, using jobs are at least four years long. Officers who reach O-9 or O-10 have a total of three developing jobs while they are O-7s and O-8s. Officers likely to be promoted to O-10 serve in only one developing position when they are O-9s. Those O-8s who are not likely to be promoted to O-9 serve in a single four-year using position.

Officers who will retire as an O-9 serve in two four-year using positions while they are O-9s, and all O-10s serve in two four-year using positions.<sup>10</sup>

This structure maximizes the contribution of senior officers and the developmental opportunities for officers without significantly reducing the flow through the system, and it stabilizes the position tenure of officers who are not being developed for future assignments. While officers serve, on average, less total time as O-7s than they do in the status quo, that time is spent in one or two two-year assignments rather than two eighteen-month assignments, and is thus more stable for individual officers and organizations. The detailed service-specific results of this system, for the previously identified subsets of officers (e.g., Navy unrestricted line, Air Force pilots and navigators), compared to the status quo for that population subset, are discussed in detail in our published report and summarized below. These findings assume that the total number of general and flag officers remains unchanged.

### Findings

Despite the concern from the services and some in Congress that slowing the system to increase accountability and stability in organizations could substantially reduce promotion opportunities, our analysis indicates that in most cases the annual number of officers promoted to O-7 increases compared with the status quo. This is a result of some officers spending less time at grade O-7. However, O-7 assignments are longer, so even with less individual time in grade, organizations benefit from greater stability in O-7 positions. The number of officers promoted to grade O-8 is also approximately equal to (in the Army and the Marine Corps) or slightly greater than (in the Navy and the Air Force) the status quo. The number of officers promoted to O-9 increases for the Navy and the Air Force, remains the same for the Marine Corps, and decreases (by one) for the Army. Promotions to O-10 decrease for all services.

### Promotion Probability

We analyzed the likelihood that, for example, any officer promoted to O-7 will then be promoted to O-8 for both the overall population of officers in the alternative and also for those

<sup>10</sup> We analyzed systemic effects based on this. However, if an officer were to hold one job for 8 years, the effects are the same.



officers serving in developing assignments, as compared with the status quo. The probability of promotion to O-8 is higher for Navy, Air Force, and Marine Corps officers and slightly lower for Army officers compared with the status quo. Promotion probability to O-9 decreases slightly for the Army in total but increases for the total population in the other services, again compared with the status quo. Developers are promoted to O-9 at a rate higher than the total population in the alternative and status quo. The likelihood of promotion to O-10 is less than that seen in current practice for both the total population and the developers.

#### Time in Grade at Retirement

We analyzed the average time in grade of officers retiring from that grade. For example, under the proposed career model, officers retiring from grade O-7 average approximately two-and-a-half years in grade O-7. This results from the retirement of officers who have one two-year assignment and the retirement of officers who have two two-year assignments. While this is less than the average O-7 time in grade for current retirees, the alternative is based on assignments longer than those of the current system, in which officers typically fill two 18-month assignments. Average O-8 time in grade at retirement in the alternative is slightly longer for the Navy and the Air Force and shorter for the Army and the Marine Corps. Average O-9 time in grade is less for all the services. However, the data are for officers serving in developing assignments in the modeled alternative as well as those serving in four-year using assignments. Thus, the average time in grade for the modeled alternative tends not to reflect the bimodal system of some O-8s and O-9s who serve two years in grade and others who serve four years (in the case of O-8s) or eight years (in the case of O-9s). Because all O-10 jobs are using jobs, all modeled officers promoted to O-10 will serve in two using assignments, for a total of eight years time in grade, which is considerably longer than the past average of three years time in grade for O-10s.

#### Average Career Length at Retirement

We estimated career length based on the modeled time as a G/FO in addition to the average time at which officers are promoted to O-7. While modeled O-7s who are not promoted to O-8 serve less time in the service than do currently retiring O-7s, officers at the other grades typically have similar (in the case of developers) or longer (in the case of users) military careers

in the modeled alternative than in current practice. The longer careers are especially notable among O-9s in using assignments and O-10s, who are all serving in using assignments.

### Average Time in Job

We compare average time in job for G/FOs in the status quo with that in the alternative career model. For the alternative, average time is always 24 months for developers and 48 months for users. The mix of developing jobs and using jobs at each service and grade determines the alternative average time in job.

For all services and all pay grades, the alternative provides greater time in job than the status quo. For Army O-7s, the alternative provides seven months more time in job than the status quo, compared with about four-and-a-half months more time in job for the Navy, Air Force, and Marine Corps. At O-8, the time in job for the alternative averages approximately one year longer than for the status quo. Because O-9s serving in using assignments in the alternative stay much longer than in the status quo, the average time in job at O-9 is longer in the alternative than in the status quo, even though some developers (in the Army and the Navy) will serve slightly less time in job than they do in the status quo. By far, the largest increase in assignment tenure occurs at O-10: The alternative provides the Marine Corps with about 15 more months in O-10 assignments compared with the status quo, the Navy with 19 more months, the Army with 20 more months, and the Air Force with 23 more months.

### Summary of Findings

Most of the services will experience a greater number of officers promoted to O-7 annually. (The Marine Corps will see one fewer.) Equal or greater numbers of officers will also reach grades O-8 and O-9, except one fewer to Army O-9. About half as many will rise to O-10, as the length of time that O-10s serve before retirement nearly doubles. Average career length will increase for all pay grades except O-7; however, O-7s will spend longer time in assignments than they do in the status quo. Average time in job will increase for all pay grades. Organizations will benefit from the stability of leadership tenures equal to or longer than those witnessed today. Individuals will have clearer expectations about their future and, at the apex of their careers, an opportunity to produce a more significant organizational impact.

### Caveats and Concerns

Although we believe that the research strongly supports the distinction between developing jobs and using jobs, it is important to note, for several reasons, that the categorization presented here is descriptive, not prescriptive. First, while we could observe how officers are developed today, it is not clear that this would be the best way to do it in the future. Second, causality is ambiguous: Do officers with certain experience get promoted, or do officers who have a greater chance of promotion get certain assignments? Finally, the services might not categorize jobs the same way we did. Additionally, during the course of our research, several concerns were raised about repercussions from the proposed management change:

- **Retention.** While we heard concerns that officers would not be willing to serve longer time in service and in longer assignments, our interviews with serving and retired G/FOs suggest that retention will continue to be an individual issue; there will also be voluntary leavers and unexpected retirements, but retention of sufficient numbers of G/FOs should not be a problem. Analytically, we can also assert that if officers do not behave as predicted, the system may not achieve all the increases in stability and accountability—but it will look no worse than today's system.

- **Flexibility.** We agree with assertions that the system must remain flexible and that an improved system should not be overly rule bound; performance and logic are more important.

- **Compensation.** Many of the senior officers we interviewed mentioned the compensation system; existing shortcomings of the compensation system will become even more evident if officers serve for longer careers.

### Conclusions and Recommendations

This research proposes a system with greater stability and accountability, with fewer job rotations and longer service in position for many and with greater selectivity for the most senior positions. With the exception of some O-10 jobs (e.g., Chief of Service, Chairman of the JCS) the current management system generally does not determine tour length based either on the

inherent qualities of different assignments or on the way these assignments are used to develop officers. By making the distinction between developing and using assignments, the length of some assignments can be extended without clogging the promotion of officers. These longer assignments can coexist with equal or better throughput and probability, although some decreased time in the O-7 paygrade results. Thus, it is possible to extend assignments for the most senior officers and for some selected O-8 and O-9 assignments without limiting the developmental opportunities for fast-trackers destined for further promotion.

The analysis summarized herein suggests the value of a revised system based on the career model described above. Such a revised system can increase organizational performance, individual accountability, and overall stability. Time in position is managed and career tenure and time in grade at retirement become second order outcomes. Moreover, such a system more clearly sets expectations for officers in it and for organizations in which these officers serve. To implement such a system, the services will need to identify positions as either developing or using positions, and OSD and the services need to set goals for desired tenure in a position. The optimum time in job should vary by paygrade, community, and the nature of the job. Thus, using jobs would be longer than developing jobs. Ideally, developing jobs for line officers would be a minimum of two years; using jobs would be a minimum of four years. Jobs for those outside the line community may also be longer than those within the line.

We stress for several reasons that our observed using/developing splits for each of the services should not be used prospectively for management without review. One, the Services need to confirm that they should be developing officers with the assignments historically used to do this. Second, we acknowledge that some developing jobs may be better as three-year jobs and that some using jobs are not appropriate for a four-year tenure. This may especially be the case in overseas assignments or especially taxing assignments.

Such a revised system should emphasize management of time in job, and allow time in grade or time in service to adjust to improved time in job. Additionally, the services should manage the numbers of developing assignments that officers have at the grades of O-7 and O-8 so that officers experience three developing jobs overall during the O-7 and O-8 years and have one developing job at O-9 if they are candidates for eventual promotion to O-10.

While this management system could be implemented within current legislative constraints using waivers, changing or removing existing constraints would allow more flexible



management. Moreover, compensation changes should be considered. Such changes could include uncapping pay at senior levels, continuing the accumulation of retirement benefits to 100 percent at 40 years of service, and basing retirement pay on uncapped figures.

Finally, such a changed system will require some flexibility. Some officers in using assignments will be promoted. Further, performance shortcomings will need to be dealt with directly, as longer assignments are not conducive to continuing a non-performer. Just as approximately 15 percent of CEOs are terminated for performance reasons,<sup>11</sup> the military should anticipate a small number of officers who will require separation prior to completion of a longer assignment.

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<sup>11</sup> Chuck Lucier, Eric Spiegel, and Rob Schuyt, "Why CEOs Fall: The Causes and Consequences of Turnover at the Top," *Strategy & Business*, Third Quarter, 2002.

## TESTIMONY

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### Deployment, Retention and Compensation

JAMES HOSEK

CT-222

March 2004

Testimony presented to the House Armed Services Committee, Subcommittee on  
Total Force on March 24, 2004

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**Statement of Dr. James Hosek<sup>1</sup>****Before the Committee on Armed Services, Subcommittee on Total Force  
U.S. House of Representatives****March 24, 2004**

Mr. Chairman, members of the subcommittee, thank you very much for the opportunity to testify before you. My testimony speaks to two areas of continuing importance and current concern. These are the relationship of military deployment to the retention of military personnel, and the comparability of military compensation to civilian compensation. The testimony focuses on active duty personnel and draws on recent, published work done at the RAND Corporation by my colleagues and myself. I'll begin with two main points then discuss deployment and compensation more fully.

First, perhaps the most striking observation I can make about the effect of deployment on retention is that active duty personnel have shown themselves to be highly resilient to the demands placed on them by deployment. Although we must carefully consider the differences between the current level and type of deployment and those in the past in making any assessment, the analysis of past data at least gives us a starting point, namely, that deployments typically did not decrease retention and in many cases increased it.

Second, keeping military pay competitive with civilian pay is an ongoing process. The slippage in military pay that occurred in the late 1990s was fixed by the passage of the National Defense Authorization Act of FY2000 and subsequent pay legislation. Fortunately, these actions took effect before 9/11, the war on terrorism, and the operations in Afghanistan and Iraq. The increases in military pay shored up the active duty personnel system before the heavy demands now being placed on military personnel. If nothing else, this is a reminder that we should be even more vigilant than in the past in keeping military pay competitive from year to year.

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<sup>1</sup> The opinions and conclusions expressed in this testimony are the author's alone and should not be interpreted as representing those of RAND or any of the sponsors of its research. This product is part of the RAND Corporation testimony series. RAND testimonies record testimony presented by RAND associates to federal, state, or local legislative committees; government-appointed commissions and panels; and private review and oversight bodies. The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors.



## Deployment

Our analysis of deployment and retention is based on data from 1993 to 1999. The data allowed us to identify two broad classes of activity away from home station depending on whether or not they involve hostile duty at some point. Hostile duty is duty in an area or circumstance involving imminent danger, for instance, the operations in Haiti, Somalia, and peacemaking and peacekeeping in Bosnia and Kosovo. Non-hostile duty may involve unaccompanied tours abroad, sea voyages in non-hostile waters, disaster relief, humanitarian aid, nation building, combined exercises, or courses for professional military education, for example. For brevity, I call these hostile deployments and non-hostile deployments, respectively.

In the analysis, we counted the number and length of each member's hostile and non-hostile deployments over a three-year period preceding the reenlistment decision.

Let me briefly state the findings of the analysis.

- Hostile deployments had little effect on the reenlistment of first-term personnel, compared with personnel having no such deployment
- Hostile deployments were associated with a higher level of reenlistment for second-term personnel.
- Non-hostile deployments typically increased first-term reenlistment above that of non-deployed personnel.
- This pattern was even more evident for second-term personnel.

I also want to mention that a companion study on officers found similar relationships between deployment and officer continuation rates.

In the current policy context, the significance of non-hostile deployments lies in the fact that many personnel who have hostile deployment also have non-hostile deployment. Given the different effect on reenlistment of hostile and non-hostile deployment, it is useful to include both types of deployment in assessing how the current pace of deployments affects retention.

A key question is what the past findings tell us about the impact of today's deployments. To address this question, I would like to present two tables, one for first-term reenlistment and the other for second-term reenlistment. The tables show the predicted probability of reenlistment, expressed as a percentage. Predictions are made for different combinations of hostile and non-hostile deployments for a service member with given characteristics, e.g., military specialty, education level, and Armed Forces Qualifications Test (AFQT) score category. The levels of reenlistment in the tables might be higher or

lower than you expect, and had we chosen different characteristics reenlistment would be higher or lower than shown. But the pattern of reenlistment across the different combinations of deployments would remain much the same. Therefore, the tables are a way of allowing us to ask how an increase in hostile deployments, non-hostile deployments, or both, would affect reenlistment.

Compared with the 1990s, there are undoubtedly more deployments today. The increase in deployments takes two forms: some members who were already deployed can expect a second or even a third deployment, and some members who had no deployment will now have one or two deployments or possibly more. This difference in the way deployments are added is crucial to understanding how an overall increase in deployments will affect retention.

Looking across the entries in Table 1 for first-term reenlistment:

- As we add a second hostile deployment to someone with one hostile deployment, in most cases reenlistment increases though in a few cases it decreases
- As we add a first hostile deployment to someone with no hostile deployment, reenlistment increases in the Army and the Marine Corps. But the pattern is more complex for the Navy and the Air Force: reenlistment increases if there is no non-hostile deployment, and it decreases if there are one or two non-hostile deployments.
- Finally, if we start with no deployments and add one each of hostile and non-hostile, reenlistment increases.

The implication is that the overall effect on retention in a service depends on how deployments are added. For first-term service members who are now deployed but would not have been at the 1990s pace of deployment, we can expect an increase in reenlistment. Also, where the services can take steps to share the burden of deployment—so that members with one or two hostile deployments also have some non-hostile deployment—reenlistment is likely to be higher. For instance, the Army's recently launched program to retain some ground forces as security personnel will reduce the pressure to re-deploy personnel in the military police occupational specialty.

I want to caution that few personnel had three or more deployments. As a result, the predicted reenlistment rates may not be representative of what we would find today. Still, as the table shows, predicted reenlistment is lower in the Army and the Marine Corps for three or more hostile *and* three or more non-hostile deployments than for lesser combinations of deployment. Even so, the predicted reenlistment for even the most heavily deployed personnel was higher than that for personnel with no deployment.

**Table 1****Predicted First-term Reenlistment Probability (Percentage)\***

Service	Non-hostile deployments	Hostile deployments			
		0	1	2	3+
Army	0	36	43	44	45
	1	47	53	50	61
	2	53	59	67	58
	3+	58	66	65	49
Navy	0	37	39	40	50
	1	43	38	40	49
	2	42	38	39	45
	3+	49	42	47	46
Air Force	0	36	38	36	38
	1	49	46	45	48
	2	55	49	50	58
	3+	50	52	55	49
Marine Corps	0	17	18	18	16
	1	18	19	18	26
	2	19	21	18	24
	3+	23	25	17	17

\*Member has high school or some college, AFQT IIIA, electrical or mechanical equipment repairer, white, male, with dependents, unemployment rate at prior reenlistment was 6.6 percent, current unemployment rate was 4.9 percent, year of reenlistment decision was fiscal 1999.

**Table 2****Predicted Second-term Reenlistment Probability\***

Service	Non-hostile deployments	Hostile deployments			
		0	1	2	3+
Army	0	38	48	52	47
	1	49	57	60	44
	2	50	58	55	32
	3+	53	55	83	38
Navy	0	67	76	86	90
	1	79	80	87	90
	2	81	81	87	84
	3+	87	89	92	83
Air Force	0	49	54	56	56
	1	58	60	63	67
	2	56	62	58	70
	3+	57	65	87	62
Marine Corps	0	30	39	58	46
	1	40	53	52	60
	2	49	65	74	30
	3+	63	66	46	30

\* Member has high school or some college, AFQT IIIA, electrical or mechanical equipment repairer, white, male, with dependents, unemployment rate at prior reenlistment was 6.6 percent, current unemployment rate was 4.9 percent, year of reenlistment decision was fiscal 1999.



The predictions for second-term personnel differ from those for first-term personnel. A look at Table 2 shows that:

- Second-term reenlistment tends to increase with one and two hostile deployments. Then with three or more deployments, the increase tapers off, as in the Navy and the Air Force, or reenlistment decreases toward the reenlistment level of non-deployed personnel. If we compare this with first-term personnel, they had little increase in reenlistment as hostile deployments increased.
- Second-term reenlistment also tends to increase with non-hostile deployments if there are only zero or one hostile deployments. But this pattern weakens for two hostile deployments, and it tends to reverse for three or more hostile deployments. In other words, when second-term personnel are heavily deployed and have more non-hostile deployments on top of hostile deployments, their reenlistment tends to decline below the higher levels seen at one or two hostile and one or two non-hostile deployments.
- By implication, adding a first or a second deployment of either type to second-term personnel can be expected to increase their reenlistment rate. But adding multiples of both types of deployment can be expected to depress it. Again, the overall effect of deployment on retention will depend on how the burden is shared across the force.

As we set out to do our analysis, a number of service members mentioned that deployment could interfere with a member's progress toward promotion. To qualify for promotion, members must acquire and demonstrate skills and knowledge in their specialty. This human capital is gained partly in formal training, partly in on-the-job experience, and partly through self-instruction in career development courses. The concern was that intense, mission-related activity during a hostile deployment would slow promotion. We therefore examined this issue carefully. Our analysis revealed very little impact of hostile deployment on the time to E-5 promotion, as measured in months from the date of entering military service. Non-hostile deployment actually reduced time to E-5 promotion by a small amount. We further found that time to E-5 promotion had small, mixed effects on first- or second-term reenlistment. Our findings led us to conclude that although deployment might affect the promotion progress of particular individuals, by and large it had little effect on a typical member's expected time to promotion or reenlistment.

To this point, I have talked about the number of deployments, but the duration of deployment also makes some difference. Longer separations from family and friends reduced reenlistment somewhat for first-term personnel on hostile deployments. This was noticeable in the Navy, where deployments involving hostile duty averaged nearly six months and ranged to over eight months. However, this was

not the case for second-term personnel. For them, the length of deployment was not related to reenlistment.

The findings I have just described come from 1990s data. I think it is likely that many of the lessons that can be drawn from the 1990s data also apply to the current era. But there is no denying the higher pace of today's military operations, the different and significant level of day-to-day danger, and the prospect of deployments continuing at a high rate for at least another year or two. There are also other factors to take into consideration, such as the increase in deployment-related pay and the development of programs to smooth the post-deployment reunification of members with their families. Viewed all together, the differences between the 1990s and now suggest that the relationship between deployment and retention could be different today. Needless to say, it would be helpful to conduct new analyses as soon as data are available.

Yet even though the context of deployments has changed, it is my impression that the underlying reasons for why deployment affects reenlistment have not changed, and that is why I think the past remains relevant to the present. I would like to take a moment to review a few of those reasons here.

Of fundamental importance is the role of individual choice. In our military of volunteers, individuals select the service they prefer and, though to a lesser extent, they select the occupational area in which they will train and serve. For instance, Marines and Army personnel in combat specialties know that they must be ready to operate under fire and camp in mud or sand. Navy personnel in sea ratings know they will be going to sea and have chosen that course. That choice presumably helps them bear up under the many preparations necessary to ready a ship for deployment and the round-the-clock schedule of duty and watch when underway. Air Force personnel who enter maintenance or supply specialties typically know their roles are crucial, and that they will typically operate at bases or facilities to the rear of the combat line. Generally speaking, it is their choice to be in those circumstances.

Personnel have preferences about deployment. Based on conversations I've had with service members, many members have a positive attitude toward deployment and view it as an especially meaningful way to fulfill their duty to their country. In this regard, it is useful to differentiate between the amount of deployment a member prefers, the amount the member expects given his or her service, specialty, and current circumstances, and the amount the member actually gets. One possible reason why reenlistment is higher for members with some deployment than with none is that most members prefer some deployment. Those who prefer but do not have deployment may revise their expected level of satisfaction from staying in the military down.

There are limits. Members may prefer some deployment to none, but also prefer not to have frequent, lengthy deployments that take them away from home for much of the year—either because they

are deployed or because they are preparing for deployment. We can see the presence of such limits in the tendency for first-term reenlistment to decline as the length of a deployment increases. Among second-term personnel, we saw that reenlistment tends to decline for members with multiple hostile and non-hostile deployments.

In our theoretical models of deployment and reenlistment, we also consider the possibility that members care about the predictability of deployments. How frequently will they occur, when will a deployment begin, and when will it end? Knowing helps members and their families make plans, and uncertainty or last minute changes can be frustrating. To be clear, this is a statement about the member's preferences. From the service's perspective, uncertainty surrounds when contingencies will occur, what roles and missions will be required to respond, how the situation will evolve, and how to allocate resources to a contingency while maintaining the capacity and presence to meet other national security commitments. Bottom line: the member will have to live with some uncertainty, and the service should do what it can to keep it to a minimum.

Finally, deployment-related pays, family support programs, the opportunity to stay in touch with family members, the regular delivery of mail, the assurance that the family's health care needs will be taken care of, and so forth, are all factors that can ease the stress of being away from home.

### Compensation

The National Defense Authorization Act (NDAA) of 2000 represented a major step in restoring the comparability of military pay to civilian pay. During the 1990s, as the economy grew and boomed, military pay lost ground, and military manpower conditions became acute in 1998 and 1999 as the services struggled to meet their overall recruiting goals, let alone their quality goals. Retention problems also appeared. These were not as electrifying as the recruiting situation, but the services were hard pressed to hold onto trained, experienced personnel in a number of technical fields. NDAA 2000 mandated a significant increase in basic pay. It committed the nation to a series of higher-than usual pay increases through FY2006. It targeted larger pay increases on mid-career personnel to strengthen the gains from early promotion to higher grades, and it increased enlistment and reenlistment bonus budgets. It enabled the services to give more generous educational benefits to recruits in hard-to-fill specialties, supplementing those of the Montgomery GI Bill. Finally, in effect it restored the level of retirement benefits for personnel entering service since August 1986 to par with the retirement benefits of personnel entering before them, thereby removing an inequity that was becoming a flash-point issue.

By restoring military pay through the actions in NDAA 2000 and subsequent pay legislation, the nation shored up the military personnel system before it had to face the demands of the war on terrorism

and the military operations in Afghanistan and Iraq. Our analysis of the early effects of NDAA 2000 concluded that its set of pay increases helped to turn around recruiting and retention. Recruiting and retention have also been aided in the past two years by the unexpectedly slow growth of civilian jobs as the economy recovers from the let down at the end of the boom.

The increase in the pace of deployments during the 1990s and especially the last few years has spurred increases in deployment-related pay. Members deploying to a designated combat area can expect to receive hostile fire/imminent danger pay and combat zone tax exclusion, and members with dependents also receive family separation allowance. Effective October 2002, hostile fire pay increased from \$150/month to \$225/month, and family separation allowance increased from \$100/month to \$250/month. An E-4 with three to four years of service now receives basic pay of \$1,726.80/month or \$20,745.60/year. Assuming the E-4 has a 20 percent average tax rate, a six-month deployment to a combat zone would shelter \$2,072 from taxes. Hostile fire pay, also excluded from tax, would total \$1,350, for a grand total of \$3,422. An E-5 with six to eight years of service has basic pay of \$2,130.60/month or \$25,567.20/year. If the E-5 has a 20 percent tax rate and is married, a six-month deployment shelters \$2,557 from tax, hostile fire pay is \$1,350, and family separation allowance is \$1500, for a grand total of \$5,407.

In my view, the philosophy behind these pays seems appropriate. Receipt of the pays is contingent on deployment or, in the case of family separation allowance, a separation of at least 30 consecutive days. The increase in deployment-related pays implicitly represents a strengthening commitment by the nation to compensate personnel for the rigors and dangers they face when deployed. This evolving system of contingent pays has several advantages: it targets the pays on those who deploy, links the amount of pay to the duration and dangers of deployment, and indirectly insures all personnel of being compensated if and when they deploy. An alternative approach of raising pay across the board would, I think, be less effective. It would either cost more overall, or it would spread a given deployment pay budget over a larger number of people, all of whom bore a potential risk of deployment but only some of whom in fact would be deployed. Those who were deployed would feel under-compensated, particularly so if their deployment was unusually long, dangerous, or had poor living conditions.

How effective are the deployment pays? The answer is, we do not know. This is because until recently the levels of deployment pay did not change, or changed little, and so there was no variation with which to judge whether they led to higher retention or lower levels of stress for members and their families. As new data become available, it may be possible to make some estimates.

Turning to the comparison of military and civilian pay, we made comparisons using a measure of military cash pay that includes basic pay, basic allowance for subsistence, basic allowance for housing, and an adjustment for the non-taxability of the allowances. This is called regular military compensation.



On average, RMC accounts for upwards of 90 percent of a member's cash pay and therefore provides a good overall guide to most members' pay. We compared enlisted personnel with full-time civilian workers with some college, and officers with full-time civilian workers with four or more years of college. The comparisons are for 2002.

Let me also say at the outset that although we think the measure of military pay is good, it is not perfect. For instance, special pays and bonuses may represent a larger fraction of cash pay, e.g., for aviators, nuclear trained personnel, and physicians. Also, the measure may be too narrow because it does not account for benefits such as military health care, childcare, or the implicit accrual of retirement benefits. On the down side, the measure of cash pay is arguably not accurate for junior personnel living in barracks or in cramped quarters on ships. They may well value their quarters at far less than the housing they would choose under BAH if given the choice. The pay comparison also does not adjust for the fact that military personnel may work long hours. It is likely that military hours of work per week are usually high at the present time because of the high operating tempo and level of deployments, and orders to stay late may be given at the last minute as new work comes in.

Given that civilian pay can differ considerably by occupation, we designated three groups of occupations defined with respect to their use of information technology. The first group, IT-core occupations, includes programmers, system administrators, people who build and maintain computer networks, and the like. The second group, IT-related occupations, includes occupations that are highly reliant on information technology, e.g., intelligence gathering, radar/sonar/air control, mathematicians, scientists, engineers, accountants, and so forth. The third group, non-IT occupations, is the remainder, though we realize that nearly every occupation uses IT in some way. We assigned military occupations and civilian occupations for each group, and we made comparisons for different education levels and by gender. About 80 percent of enlisted personnel are non-IT, 14 percent are in IT-related, and 7 percent are in IT-core.

We found that RMC for most male enlisted members was about at the level of the 70th percentile of civilian wages, and for most male officers it was above the 70th percentile. This may be seen in the upper panel of Figures 1 and 2. (The corresponding figures for women are appended.) In the figures, the family of upward-sloping curves shows civilian wages at the 10th percentile through the 90th percentile.

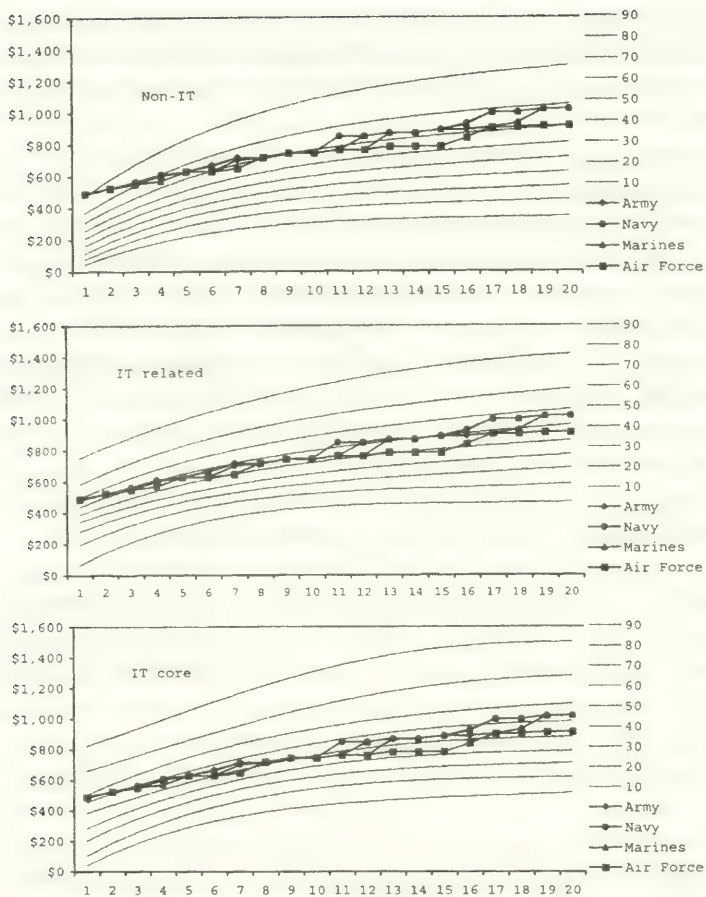
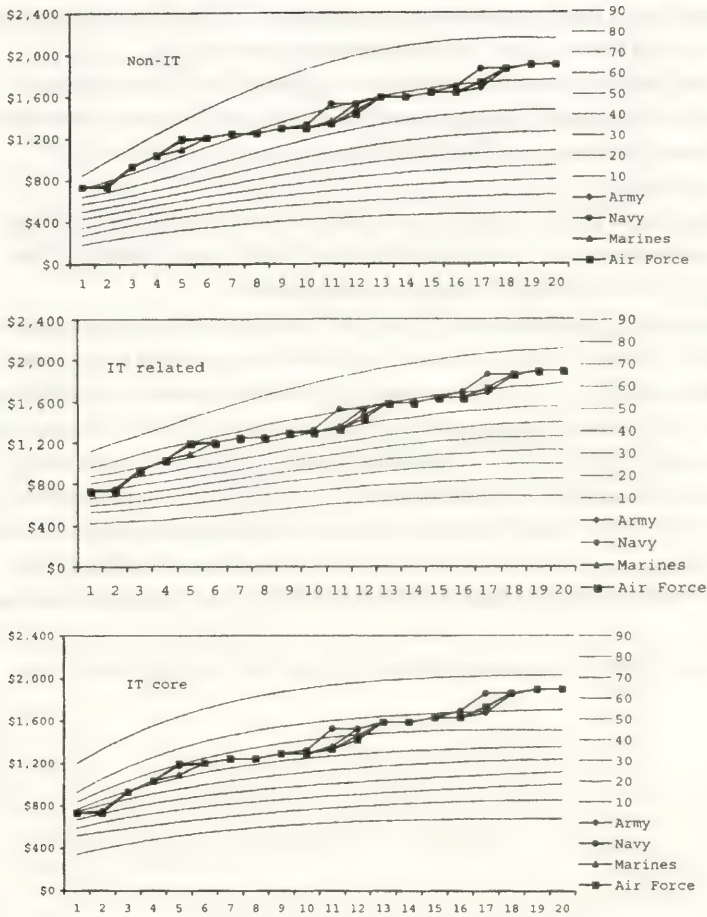


Figure 1—Weekly Civilian Wage Percentiles for Men with Some College and Regular Military Compensation for Enlisted Members, by Service and IT Group, FY 2002



**Figure 2—Weekly Civilian Wage Percentiles for Men with Four or More Years of College and Regular Military Compensation for Officers, by Service and IT Group, FY 2002**

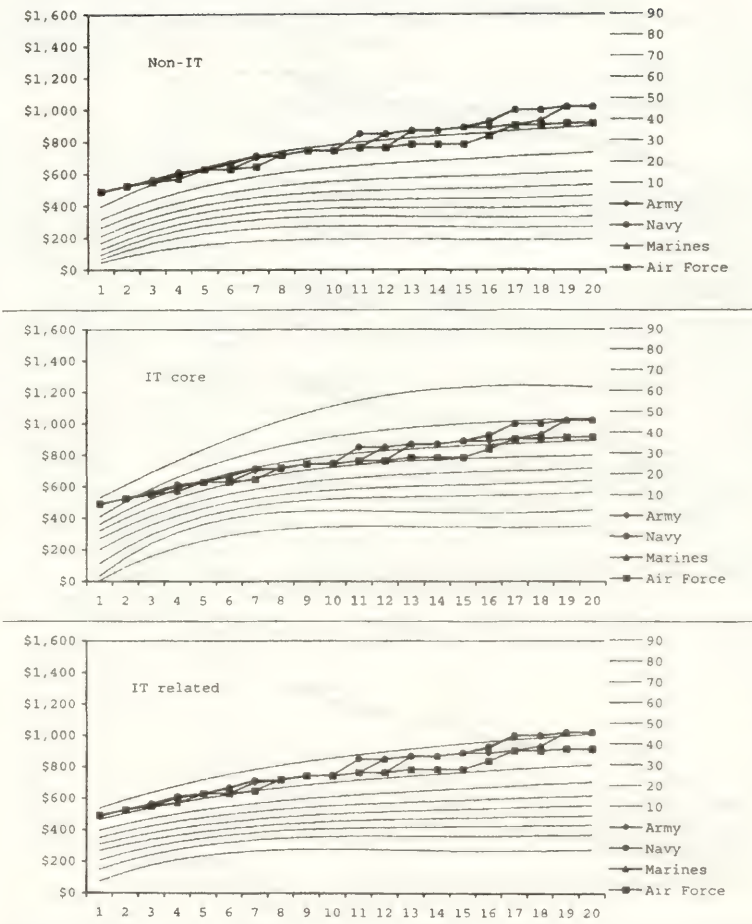
The darker lines are RMC computed separately for each service. The RMC lines are quite similar across the services, with differences arising only from differences in promotion rates.

Military pay at the 70th percentile may appear high relative to civilian pay, but it is not. On the whole, military pay is at the level required to attract and keep high quality, well-trained personnel. As we saw in the late 1990s, erosion in military pay of only a few percentage points from competitive levels can threaten the supply of personnel.

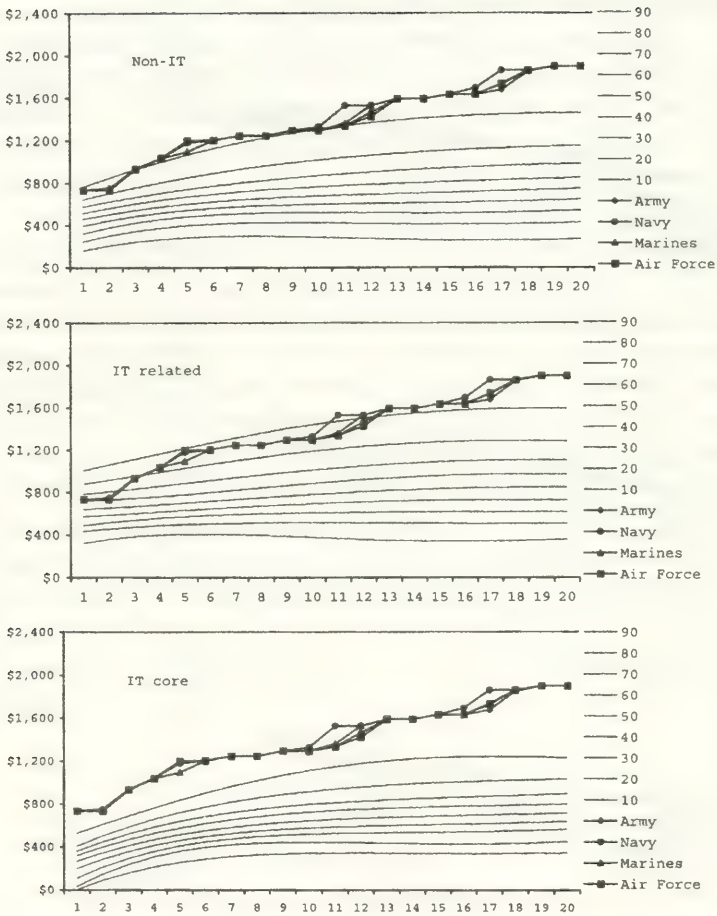
The lower panels of Figure 1 present pay for IT-related and IT-core occupations. Military pay is clearly lower relative to civilian pay in these occupations—that is, the RMC lines lie on lower civilian wage curves. In IT-core, for instance, RMC is around the 50th percentile. Surprisingly, the relatively lower military pay in IT-type occupations did *not* lead to poorer recruiting and retention. In fact, IT personnel outcomes were good. Recruit quality was considerably higher, recruits signed on for somewhat longer terms of service, attrition was lower, and reenlistment rates were about the same in IT versus non-IT. Thus, the services were successfully competing for IT enlisted personnel even during the peak of the dot-com boom. We suggest that the reason for this is the value and transferability of the technical training and experience provided in the military. The findings further suggest that many young men and women join the military not only to serve their country, but also as a stepping-stone to an occupation. Like the notion of volunteerism itself, the value of training and experience offered by the military is one of the anchors that helps to sustain recruiting and retention when optempo is high and risks are real.

Again, thank you for the opportunity to address the subcommittee. I would be pleased to take questions.





**Figure 3—Weekly Civilian Wage Percentiles for Women with Some College and Regular Military Compensation for Enlisted Members, by Service and IT Group, FY 2002**



**Figure 4—Weekly Civilian Wage Percentiles for Women with Four or More Years of College and Regular Military Compensation for Officers, by Service and IT Group, FY2002**

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United States General Accounting Office

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GAO

Testimony

Before the Subcommittee on Total Force,  
Committee on Armed Services, House of  
Representatives

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For Release on Delivery  
Expected at 1 p.m. EST  
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## MILITARY PERSONNEL

### Observations Related to Reserve Compensation, Selective Reenlistment Bonuses, and Mail Delivery to Deployed Troops

Statement of Derek B. Stewart, Director, Defense  
Capabilities and Management



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GAO-04-582T

March 24, 2004



Highlights of GAO-04-582T, a testimony before the Subcommittee on Total Force, Committee on Armed Services, House of Representatives

## MILITARY PERSONNEL

### Observations Related to Reserve Compensation, Selective Reenlistment Bonuses, and Mail Delivery to Deployed Troops

#### Why GAO Did This Study

Since the terrorist attacks of September 11, 2001, the U.S. military has deployed high numbers of active duty and reserve troops to fight the global war on terrorism and for Operation Iraqi Freedom. Ensuring that U.S. military forces are adequately compensated and that the morale of deployed troops remains high have been priorities for the Congress and the Department of Defense (DOD).

In response to congressional mandates, GAO has reviewed a number of issues concerning military personnel. For this hearing, GAO was asked to provide the results of its work on military compensation for National Guard and Reserve personnel and on the Selective Reenlistment Bonus (SRB) program, a tool DOD can use to enhance retention of military personnel in critical occupational specialties. In addition, GAO was asked to provide its preliminary views, based on ongoing work, concerning mail delivery to troops stationed in the Middle East.

#### What GAO Found

Reservists who are called to active duty to support a contingency operation are eligible to receive the same pay and benefits as members of the active component. Moreover, in constant dollars, basic military compensation has increased in recent years. For instance, an enlisted reservist in pay grade E-4 who is married with no other dependents and who is called to active duty experienced a 19 percent increase in basic military compensation between fiscal years 1999 and 2003. Despite these increases, income loss is a concern to many reservists, although DOD has lacked timely, sufficient information to assess the full scope and nature of this problem. Benefits for reserve personnel have also improved, notably in the area of health care. As GAO has previously reported, given the federal government's growing deficits, it is critical that the Congress give adequate consideration to the longer term costs and implications of legislative proposals to further enhance military pay and benefits before they are enacted into law. For example, proposals to enhance reserve retirement should be considered in this context.

Although GAO has not specifically reviewed the use of SRBs to enhance reserve retention, GAO has noted shortcomings in DOD's management and oversight of the SRB program for active duty personnel. GAO's observations of this program may be helpful in making decisions for the use of SRBs for reservists. Concerned about missing their overall retention goals in the late 1990s, all the services expanded their use of SRBs to help retain more active duty enlisted personnel in a broader range of military specialties, even though the program was intended to help the services meet retention problems in selected critical specialties. As a result, the cost of the program more than doubled in just 5 years—from \$308 million in fiscal year 1997 to \$791 million in fiscal year 2002. However, the effectiveness and efficiency of SRBs in targeting bonuses to improve retention in selected critical occupations is unknown. DOD has not conducted a rigorous review of the SRB program. DOD concurred with GAO's recommendations to institute more effective controls to assess the progress of the SRB program, but has not taken action as yet.

Mail can be a morale booster for troops fighting overseas and for their families at home. GAO has been reviewing mail delivery to deployed troops and expects to issue a report soon. GAO's preliminary findings show that mail delivery continues to be hampered by many of the same problems encountered during the first Gulf War. First, DOD does not have a reliable accurate system in place to measure timeliness. Second, despite differences in operational theaters and efforts by DOD postal planners to incorporate lessons learned into planning for Operation Iraqi Freedom, postal operations faced many of the same problems, such as inadequate postal facilities, equipment, and transportation. Third, DOD has not officially tasked any entity to resolve the long-standing postal problems experienced during contingency operations. GAO plans to make several recommendations to improve DOD's mail delivery to deployed troops.

[www.gao.gov/cgi-bin/gettrpt?GAO-04-582T](http://www.gao.gov/cgi-bin/gettrpt?GAO-04-582T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Derek B. Stewart at (202) 512-5559 or [steward@gao.gov](mailto:steward@gao.gov).

United States General Accounting Office



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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our work on military compensation for National Guard and Reserve personnel<sup>1</sup> and on the Selective Reenlistment Bonus (SRB) program, as well as our preliminary observations concerning mail delivery to troops stationed in the Middle East. Since the terrorist attacks of September 11, 2001, the U.S. military has deployed high numbers of active duty and reserve troops to fight the global war on terrorism and for Operation Iraqi Freedom. Ensuring that U.S. military forces are adequately compensated and that the morale of deployed troops remains high have been priorities for the Congress and the Department of Defense (DOD).

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## Summary

Our work on reserve compensation has shown that reservists who are called to active duty to support a contingency operation are eligible to receive the same pay and benefits as members of the active component. Moreover, in constant dollars, basic military compensation—which includes basic pay, allowances for housing and meals, and the federal tax advantage<sup>2</sup>—has increased in recent years. As a result, reservists activated today are earning more in the military than they did just a few years ago. Other pay policies and protections, such as the Servicemembers Civil Relief Act, may help to mitigate reservists' financial hardship during deployment. Income loss is a concern to many reservists, although DOD has lacked timely, sufficient information to assess the full scope and nature of this problem. Benefits for reserve personnel have also improved, notably in the area of health care where the Congress has improved benefits not only for reservists but for their families as well. As we have previously reported, given the federal government's growing deficits, it is critical that the Congress give adequate consideration to the longer term costs and implications of legislative proposals to further enhance military pay and benefits before they are enacted into law. For example, proposals to enhance reserve retirement should be considered in this context. We

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<sup>1</sup> We use the generic term "reserves" and "reservists" throughout this statement to refer to both National Guard and Reserve personnel.

<sup>2</sup> The federal tax advantage is included in basic military compensation to account for the tax-free status of housing and subsistence allowances. The federal tax advantage is the added amount of taxable income that servicemembers would have to receive in cash if housing and subsistence allowances were to become taxable in order for them to be as well off in after-tax income as they are under the existing system.

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have ongoing work looking at proposals to change the reserve retirement system.

The SRB program is one tool DOD can use to enhance retention of both active duty and reserve personnel. Although we have not specifically reviewed the use of reenlistment bonuses to enhance reserve retention, we have noted shortcomings in DOD's management and oversight of the SRB program for active duty personnel. Our observations of this program may be helpful in making decisions for the use of SRBs for reservists. For example, concerned about missing their overall retention goals in the late 1990s, all the services expanded their use of SRBs to help retain more active duty enlisted personnel in a broader range of military specialties, even though the program was intended to help the services meet retention problems in selective critical specialties. The Air Force in fiscal year 2001 awarded bonuses to approximately 80 percent of its specialties, which were paid to 42 percent of its reenlistees. As a result of the services' expanded use of SRBs for active duty personnel, the cost of the program more than doubled in just 5 years—from \$308 million in fiscal year 1997 to \$791 million in fiscal year 2002. The SRB budget was expected to rise to over \$800 million in fiscal year 2005. Despite increased use of the SRB program, DOD has cited continued retention problems in specialized occupations. However, the effectiveness and efficiency of SRBs in targeting bonuses to improve retention in selective critical occupations is unknown. DOD has not conducted a rigorous review of the SRB program.

Mail can be a morale booster for troops fighting overseas and for their families at home. More than 65 million pounds of letters and parcels were delivered to troops serving in theater during 2003. Between February and November 2003, the Congress and the White House forwarded more than 300 inquiries about mail delivery problems to military postal officials. We have been reviewing mail delivery and expect to issue a report soon. Our preliminary findings show that mail delivery continues to be hampered by many of the same problems encountered during the first Gulf War. First, DOD does not have a reliable accurate system in place to measure timeliness. Second, despite differences in operational theaters and efforts by DOD postal planners to incorporate lessons learned into planning for Operation Iraqi Freedom, postal operations faced many of the same problems: difficulty conducting joint mail operations; postal personnel inadequately trained and initially scarce in number due to late deployments; and inadequate postal facilities, equipment, and transportation. Third, DOD has not officially tasked any entity to resolve the long-standing postal problems experienced during contingency operations.

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Now let me turn to each of these issues in more detail.

## Reserve Compensation

One of DOD's guiding principles for military compensation is that servicemembers, in both the reserve and active components, be treated fairly.<sup>3</sup> Military compensation for reservists is affected by the type of military duty performed. In peacetime—when a reservist is training or performing military duty not related to a contingency operation—certain thresholds are imposed at particular points in service before a reservist is eligible to receive the same compensation as a member of the active component. For example, a reservist is not entitled to a housing allowance when on inactive duty training (weekend drills). If a reservist is on active duty orders that specify a period of 140 days or more, then he or she becomes entitled to the full basic housing allowance. For contingency operations,<sup>4</sup> these thresholds do not apply.<sup>5</sup> Thus, reservists activated for Operation Iraqi Freedom and other contingencies are eligible to receive the same compensation as active component personnel.

Basic military compensation,<sup>6</sup> in constant dollars, remained fairly steady during the 1990s but has increased in recent years. As a result, reservists—enlisted personnel and officers—activated today are earning more in the military than they did just a few years ago, as shown in figure 1. For example, an enlisted member in pay grade E-4 who is married with no other dependents (family size 2) earned \$3,156 per month in basic military compensation in fiscal year 2003, compared with \$2,656 per month in fiscal year 1999, or a 19 percent increase. These figures are calculated in constant 2003 dollars to account for the effects of inflation.

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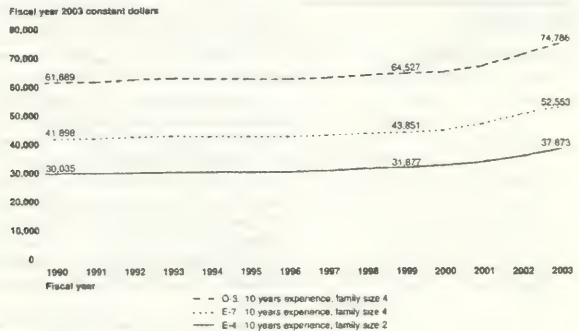
<sup>3</sup> Department of Defense, Office of the Secretary of Defense, *Military Compensation Background Papers: Compensation Elements and Related Manpower Cost Items, Their Purposes and Legislative Backgrounds* (Sept. 1996).

<sup>4</sup> A military operation may be designated by the Secretary of Defense as a contingency operation or become a contingency operation as a matter of law.

<sup>5</sup> Reservists who are placed on active duty orders for 31 days or more are automatically enrolled in TRICARE Prime. Family members of reservists who are activated for 31 days or more may obtain coverage under TRICARE.

<sup>6</sup> Basic military compensation consists of basic pay, basic allowance for housing, basic allowance for subsistence, and the federal tax advantage. It does not include special and incentive pays, other allowances, and the value of fringe benefits, such as health care and retirement.

**Figure 1: Annual Basic Military Compensation for Selected Pay Grades for Fiscal Years 1990-2003**



In addition to increases in basic military compensation, other pay policies and protections may help to mitigate reservists' financial hardship during deployment. For example:

- By statute, debt interest rates are capped at 6 percent annually for debts incurred prior to activation.<sup>7</sup> The Servicemembers Civil Relief Act, passed in December 2003,<sup>8</sup> enhanced certain other protections. For example, the act prohibits a landlord, except by court order, from evicting a servicemember or the dependents of a servicemember, during a period of military service of the servicemember, from a residence for which the monthly rent does not exceed \$2,400. The act increased the monthly rental limit from \$1,200 and required the rental limit to be adjusted annually based on changes to a national housing consumer price index.

<sup>7</sup> 50 U.S.C. App. sec. 527.

<sup>8</sup> Public Law 108-189 (Dec. 19, 2003).



- Some or all of the income that servicemembers earn while serving in combat zones is tax-free.<sup>9</sup>
- For certain contingencies, including Operation Iraqi Freedom, DOD authorizes reservists to receive both a housing allowance and per diem for their entire period of activation, up to 2 years.
- Emergency loans are available through the Small Business Administration to help small businesses meet necessary operating expenses and debt payments.

An issue of concern that is closely tied with military compensation is income loss experienced by many reservists activated for a military operation. In a recent report, we evaluated information on income change.<sup>10</sup> We found that DOD lacked sufficient information on the magnitude, the causes, and the effects of income change to determine the need for compensation programs targeting reservists who meet three criteria: (1) fill critical wartime specialties, (2) experience high degrees of income loss when on extended periods of active duty, and (3) demonstrate that income loss is a significant factor in their retention decisions. Such data are critical for assessing the full nature and scope of income change problems and in developing cost-effective solutions. DOD data on income change has been derived from self-reported survey data collected from reservists and their spouses. A 2000 DOD survey of reservists showed that of those who served in military operations from 1991 to 2000, an estimated 59 percent of drilling unit members had no change or gain in family income when they were mobilized or deployed for a military operation, and about 41 percent lost income. This survey was conducted before the mobilizations occurring after September 11, 2001. A 2002 DOD survey of spouses of activated reservists showed that an estimated 70 percent of families experienced a gain or no change in monthly income and 30 percent experienced a decrease in monthly income. The survey data are

<sup>9</sup> Department of the Treasury, Internal Revenue Service, *Armed Forces' Tax Guide: For Use in Preparing 2003 Returns*, Publication 3, Cat. No. 46072M. This publication noted that all military pay for the month is excluded from income when an enlisted servicemember, warrant officer, or commissioned warrant officer served in a combat zone during any part of a month or while hospitalized as a result of service in the combat zone. The amount of the exclusion for a commissioned officer (other than a commissioned warrant officer) is limited to the highest rate of enlisted pay, plus imminent danger/hostile fire pay, for each month during any part of which an officer served in a combat zone or while hospitalized as a result of service there.

<sup>10</sup> U.S. General Accounting Office, *Military Personnel: DOD Needs More Data to Address Financial and Health Care Issues Affecting Reservists*, GAO-03-1004 (Washington, D.C.: Sept. 10, 2003).

questionable primarily because it is unclear what survey respondents considered as income loss or gain in determining their financial status. We recommended that DOD take steps to obtain more complete information in order to take a targeted approach to addressing income change problems. DOD concurred with this recommendation. In May and September of 2003, DOD implemented two web-based surveys of reservists to collect data on mobilization issues, such as income change. DOD has tabulated the survey results and expects to issue a report with its analysis of the results by July 2004. These surveys should be insightful for this issue.

Benefits are another important component of military compensation for reservists and help to alleviate some of the hardships of military life. DOD offers a wide range of benefits, including such core benefits as health care, paid time off, life insurance, and retirement.<sup>11</sup> Notable improvements have been made to the health care benefits for reservists and their families. For example, under authorities granted to DOD in the National Defense Authorization Acts for fiscal years 2000 and 2001, DOD instituted several health care demonstration programs to provide financial assistance to reservists and family members. For example, DOD instituted the TRICARE Reserve Component Family Member Demonstration Project for family members of reservists mobilized for Operations Noble Eagle and Enduring Freedom to reduce TRICARE costs and assist dependents of reservists in maintaining relationships with their current health care providers. The demonstration project eliminates the TRICARE deductible and the requirement that dependents obtain statements saying that inpatient care is not available at a military treatment facility before they can obtain nonemergency treatment from a civilian hospital. Legislation passed in December 2002 made family members of reservists activated for more than 30 days eligible for TRICARE Prime<sup>12</sup> if they reside more than 50 miles, or an hour's driving time, from a military treatment facility. Last year, the Congress passed legislation for a 1-year program to extend

<sup>11</sup> U.S. General Accounting Office, *Military Personnel: Active Duty Benefits Reflect Changing Demographics, but Opportunities Exist to Improve*, GAO-02-935 (Washington, D.C.: Sept. 18, 2002).

<sup>12</sup> Public Law 107-314, sec. 702. TRICARE Prime, one of the options under DOD's managed health care program, is similar to a private HMO plan and does not require enrollment fees or copayments.

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TRICARE to reservists who are unemployed or whose employer does not offer health care benefits.<sup>13</sup>

As we have previously reported, given the federal government's growing deficits, it is critical that the Congress give adequate consideration to the longer term costs and implications of legislative proposals to further enhance military pay and benefits before they are enacted into law. For example, proposals to enhance reserve retirement should be considered in this context. We have ongoing work looking at proposals to change the reserve retirement system. The key questions we are addressing include:

- What are the objectives of the reserve retirement system?
- Is DOD meeting its reserve retirement objectives?
- What changes to the current reserve retirement system that DOD and others have proposed could help DOD better meet its objectives?
- What factors should DOD consider before making changes to its reserve retirement system?

We anticipate issuing a report addressing these questions in September 2004.

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## Selective Reenlistment Bonus Program

While we have not specifically reviewed the use of reenlistment bonuses for reservists, our work has shown that DOD could improve the management and oversight of the SRB program with more methodologically rigorous evaluations. The SRB program is intended to help the services retain enlisted personnel in critical occupational specialties, such as linguists and information technology specialists. Concerned about missing their overall retention goals in the late 1990s, all the services expanded their use of SRBs to help retain more active duty enlisted personnel. There were increases in the number of specialties that the services made eligible for the bonuses and in the number of bonus recipients. The Air Force, for example, awarded bonuses to 158 specialties (80 percent of total specialties) in fiscal year 2001, up from 68 specialties (35 percent of total specialties) in fiscal year 1997. During this time period, the number of active duty Air Force reenlistees receiving bonuses increased from 3,612 (8 percent of total reenlistees) to 17,336 (42 percent of total reenlistees). As a result of the services' expanded use of SRBs for active duty personnel, the cost of the program

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<sup>13</sup> Public Law 108-106, sec. 1115.

more than doubled—from \$308 million in fiscal year 1997 to \$791 million in fiscal year 2002.<sup>14</sup> The SRB budget was expected to rise to over \$800 million in fiscal year 2005. About 44 percent of the SRB budget growth over the 1997 to 2005 period is attributable to increases in the Air Force SRB budget. Despite increased use of the SRB program, DOD has cited continued retention problems in specialized occupations such as air traffic controller, linguist, and information technology specialist.

In November 2003,<sup>15</sup> we reviewed a congressionally directed DOD report to the Congress on the program and found that DOD had not thoroughly addressed four of the five concerns raised by the Congress. As a result, the Congress did not have sufficient information to determine if the program was being managed effectively and efficiently. More specifically,

- DOD did not directly address the SRB program's effectiveness or efficiency in correcting shortfalls in critical occupations.
- DOD had not issued replacement program guidance for ensuring that the program targets only critical specialties that impact readiness. DOD did not address an important change—the potential elimination of the requirement for conducting annual reviews. We were told that the new guidance will require periodic reviews, but neither the frequency nor the details of how these reviews would be conducted was explained.
- DOD did not describe the steps it would take to match program execution with appropriated funding. Our analysis showed that in fiscal years 1999-2002, the services spent a combined total of \$259 million more than the Congress appropriated for the SRB program.
- DOD provided only a limited assessment of how each service administers its SRB program.
- DOD identified the most salient advantages and disadvantages that could result from implementing a lump sum payment option for paying retention bonuses, and we generally concurred with DOD's observations.

On the basis of our work, we recommended that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness to (1) retain the requirement for an annual review of the SRB program and (2) develop a consistent set of methodologically sound procedures and metrics for reviewing the effectiveness and efficiency of all aspects of

<sup>14</sup> These budget figures are expressed in constant fiscal year 2004 dollars.

<sup>15</sup> U.S. General Accounting Office, *Military Personnel: DOD Needs More Effective Controls to Better Assess the Progress of the Selective Reenlistment Bonus Program*, GAO-04-86 (Washington, D.C., Nov. 13, 2003).



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each service's SRB program administration. DOD concurred with the recommendations but has not yet taken actions to address them.

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## Mail Delivery

Mail can be a morale booster for troops fighting overseas and for their families at home. During Operation Iraqi Freedom, problems with prompt and reliable mail delivery surfaced early in the conflict and continued throughout. More than 65 million pounds of letters and parcels were delivered to troops serving in theater during 2003. Between February and November 2003, the Congress and the White House forwarded more than 300 inquiries about mail delivery problems to military postal officials. We are reviewing mail delivery to troops stationed overseas and plan to issue our report next month. In the report, we will assess (1) the timeliness of mail delivery to troops stationed in the Gulf Region, (2) how mail delivery issues and problems experienced during Operation Iraqi Freedom compare to those during Operations Desert Shield/Storm, and (3) efforts to identify actions to resolve problems for future contingencies.

Although our report is not yet final, the preliminary results of our review are as follows:

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## Timeliness

The timeliness of the mail delivery to troops serving in Operation Iraqi Freedom cannot be accurately determined because DOD does not have a reliable, accurate system in place to measure timeliness. Transit time data reported by the Transit Time Information Standard System for Military Mail shows that average transit times for letters and parcels into the theater consistently fell within the 11 to 14-day range—well within the current wartime standard of 12 to 18 days. However, we determined that the method used to calculate these averages masks the actual times by using weighted averages that result in a significant understating of transit times.<sup>16</sup> A second source of data—test letters that were sent to individual

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<sup>16</sup> In DOD's sampling methodology, random samples are selected from all incoming letters and packages arriving at a military post office in the Iraqi theater. The samples are then divided into three categories: postmark less than 10 days old, postmark between 11 and 15 days old, and postmark over 16 days old. Each of these three categories is given a weight value of 10, 15, and 16, respectively, which represent the break points of each category. The sample size in each category is then multiplied by the weight value and averaged to get the reported transit time. Consequently, regardless of the sample size or the actual number of days the items spent in transit, the resulting average will always be between 10 and 16 days.

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servicemembers at military post offices by the Military Postal Service Agency between February and September 2003—indicate that mail delivery, on average, met the wartime standard during all but 1 month. However, we found that a significant number of test letters were never returned, and that test letters do not accurately measure transit time to the individual servicemember because they are sent only to individuals located at military post offices. It could take several more days for mail to get to forward-deployed troops. Even though the data shows otherwise, military postal officials acknowledge that mail delivery to troops serving in Operation Iraqi Freedom was not timely.

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#### Comparison With Operations Desert Shield/Storm

Despite differences in operational theaters and an effort by postal planners to incorporate Operations Desert Shield/Storm experiences into the planning for Operation Iraqi Freedom, many of the same problems were encountered. These problems include (1) difficulty in conducting joint-service mail operations; (2) postal personnel inadequately trained and initially scarce in number due to late deployments; and (3) inadequate postal facilities, material handling equipment, and transportation assets to handle the initial mail surge. U.S. Central Command—the combatant command for Operation Iraqi Freedom—created an operations plan for joint mail delivery, but some of the planning assumptions were flawed and the plan was not fully implemented. This plan included certain assumptions that were key to its success, but some assumptions produced unforeseen negative consequences and others were not implemented or unrealistic. For example, the elimination of mail addressed to “Any Service Member” increased the number of parcels because senders found ways around the restriction. In addition, plans to restrict the size and weight of letters and parcels until adequate postal facilities had been established were never enacted; and the volume of mail was grossly underestimated. The plan also directed that a Joint Postal Center comprised of postal officials from all services manage and coordinate joint postal operations in theater. However, this effort was never fully implemented, and joint mail delivery suffered as a result. The Military Postal Service Agency did implement one strategy that proved to be successful as a result of lessons learned from Operations Desert Shield/Storm. Dedicated contractor airlift of mail into the contingency area was employed, avoiding the necessity of competing for military air cargo capacity, which greatly improved the regularity of mail service to the theater.

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## Efforts to Resolve Postal Problems

No single entity has been officially tasked to resolve the long-standing postal problems seen again during Operation Iraqi Freedom. Military postal officials have begun to identify solutions to some of these issues. However, despite early efforts made by the Military Postal Service Agency to consolidate problems and identify solutions, this agency does not have the authority to ensure that these problems are jointly addressed and resolved before the next military contingency. During our meetings with dozens of key military postal officials serving during Operation Iraqi Freedom, we collected memoranda, after action reports, and their comments regarding the postal issues and problems that should be addressed to avoid a repetition of the same postal problems in future contingencies. These issues include: improving joint postal planning and ensuring joint execution of that plan; early deployment of postal troops; preparing updated tables of organization and equipment for postal units; improving peacetime training for postal units; and reviewing the command and control of postal units in a joint theater. The Military Postal Service Agency hosted a joint postal conference in October 2003 to discuss postal problems with dozens of key postal participants in Operation Iraqi Freedom and is currently in the process of consolidating these issues into a single document with the intent of developing plans to resolve the issues. In addition, the service components and the Military Postal Service Agency have taken some initial steps in employing alternative mail delivery and tracking systems.

In our report, we plan to make several recommendations aimed at (1) establishing a system that will accurately track, calculate, and report postal transit times and (2) designating responsibility and providing sufficient authority within the Department to address and fix long-standing postal problems identified in this report.

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Mr. Chairman, this completes our prepared statement. We would be happy to respond to any questions you or other members of the Subcommittee may have at this time.

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## Contacts and Acknowledgments

For future questions about this statement, please contact Derek B. Stewart at (202) 512-5559 (e-mail address: [stewartd@gao.gov](mailto:stewartd@gao.gov)) or Brenda S. Farrell at (202) 512-3604 (e-mail address: [farrellb@gao.gov](mailto:farrellb@gao.gov)). Also making a significant contribution to this statement was Thomas W. Gosling.

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**Statement of:**

**Master Chief Joseph L. Barnes, USN (Ret.)  
National Executive Secretary  
Fleet Reserve Association**

**On:**

**Military Personnel Policy, Benefits, and Compensation**

**Presented to:**

**Subcommittee on Total Force  
U.S. House of Representatives**

**24 March 2004**

### THE FRA

The Fleet Reserve Association (FRA) is the oldest and largest organization serving enlisted men and women in the Active, Reserve, and Retired Components of the Navy, Marine Corps, and Coast Guard, and as a Congressionally Chartered association recognized by the Department of Veterans Affairs (DVA), as a representative of all veterans seeking its assistance.

FRA also is a major participant in the 35-member consortium, The Military Coalition (TMC). Members of its staff serve in a number of TMC leadership roles. Master Chief Barnes is co-chairman for the Military Personnel/Compensation/Commissary Committee. Another, Retired Navy Sr. Chief Bob Washington is co-chairman of the Health Committee and FRA's Legislative Counsel, Retired Marine Sgt. Major Mack McKinney, is one of the four TMC elected officers.

FRA efforts over its nearly 80 years have resulted in legislation enhancing quality of life programs for Sea Services personnel and other members of the Uniformed Services while protecting their rights and privileges. CHAMPUS, now Tricare, was an initiative of FRA, as was the Uniformed Services Survivor Benefit Plan (USSBP). As of late, FRA led the way in reforming REDUX, obtaining targeted pay increases for mid-level enlisted personnel, and sea pay for junior enlisted sailors.

FRA's motto is: "Loyalty, Protection, and Service."

### CERTIFICATION OF NON-RECEIPT OF FEDERAL FUNDS

Pursuant to the requirements of House Rule XI, the Fleet Reserve Association has not received any federal grant or contract during the current fiscal year or either of the two previous fiscal years.

**Joseph L. Barnes**  
**National Executive Secretary**  
**Fleet Reserve Association**

Joseph L. (Joe) Barnes was selected to serve as the Fleet Reserve Association's (FRA's) National Executive Secretary (NES) in September 2002 during a pre-national convention meeting of the FRA's National Board of Directors (NBOD) in Kissimmee, Fla. He is FRA's senior lobbyist and chairman of the Association's National Committee on Legislative Service. He is also the chief assistant to the National President and the NBOD, and responsible for managing FRA's National Headquarters.

A retired Navy Master Chief, Barnes served as FRA's Director of Legislative Programs and advisor to FRA's National Committee on Legislative Service since 1994. During his tenure, the Association realized significant legislative gains, and was recognized with a certificate award for excellence in government relations from the American Society of Association Executives (ASAE).

In addition to his FRA duties, Barnes works effectively as Co-Chairman of The Military Coalition's (TMC's) Personnel, Compensation and Commissaries Committee and testifies frequently on behalf of FRA and TMC on Capitol Hill. He is also a member of the Defense Commissary Agency's (DeCA's) Patron Council.

Barnes joined FRA's National Headquarters team in 1993 as editor of *On Watch*, FRA's bimonthly publication distributed to Navy, Marine Corps, and Coast Guard personnel. While on active duty, he was the public affairs director for the United States Navy Band in Washington, DC. His responsibilities included directing marketing and promotion efforts for extensive national concert tours, network radio and television appearances, and major special events in the nation's capital. His awards include the Defense Meritorious Service and Navy Commendation Medals.

He received the United States Coast Guard's Meritorious Public Service Award for providing consistent and exceptional support of Coast Guard from 2000 to 2003 and was appointed an Honorary Member of the United States Coast Guard by Admiral James Loy, former Commandant of the Coast Guard, and then-Master Chief Petty Officer of the Coast Guard Vince Patton at FRA's 74th National Convention in September 2001. Barnes is also a member of the U.S. Navy Memorial Foundation's Board of Directors.

Barnes holds a bachelor's degree in education and a master's degree in public relations management from The American University, Washington, DC, and earned the Certified Association Executive (CAE) designation from ASAE in 2003. He's an accredited member of the International Association of Business Communicators (IABC), a member of the ASAE and the American League of Lobbyists.

He has served in a variety of volunteer leadership positions in community and school organizations and is married to the former Patricia Flaherty of Wichita, Kansas. The Barnes' have three daughters, Christina, Allison, and Emily and reside in Fairfax, Virginia.



## INTRODUCTION

Mr. Chairman and other distinguished Members of the Subcommittee: The Fleet Reserve Association (FRA) is grateful for the opportunity to present its military personnel goals for Fiscal Year 2005. Before continuing, I want to express deep appreciation on behalf of the Association's membership for the quality of life improvements for our Nation's men and women in the Uniformed Services implemented over the past few years. What this august group has done for our active duty, reserve, and retired service members is not only superlative but unusually generous for Congress in comparison with the previous two to three decades.

FRA salutes you for a job superbly done.

In light of the generosity of this Subcommittee and Congress the Association is hesitant to submit additional requests. However, in representing its membership, FRA must make an effort to voice concerns of the men and women serving in or having retired from the United States Navy, Marine Corps, and Coast Guard.

In the active force, the plea is for increased compensation to compensate for the arduous operational and personal tempos thrust upon the members of the uniformed services. Others prefer better housing, perhaps increased child-care programs, or any of the many programs and benefits available to them and their families. Reservists have their choices for enhanced retirement benefits, special pays, and increased MGIB proceeds. The retired community seeks positive changes to the Uniformed Services Survivor Benefit Plan (USSBP), full concurrent receipt of military retirement pay and VA service connected payments, and a reasonable access to health care services.

What follows is a list of issues that were submitted by the Association's membership and adopted at its 76th National Convention, San Diego, California, 31 August 2004. At the top, the three most important goals for each component (active duty, reserve, and retired personnel and their families) are listed. Following are goals most important to many FRA members that require your attention as you consider what personnel issues should have a place in the FY 2005 National Defense Authorization Act.

## ACTIVE DUTY COMPONENT

**Pay and Allowances.** Always number one in most surveys completed by FRA and the active forces is pay and allowances. This distinguished Subcommittee, alerted to this fact for the past six years, has improved compensation that, in turn, enhanced the recruitment and retention of uniformed personnel in an all-volunteer environment. Adequate and targeted pay increases for middle grade and senior petty and noncommissioned officers have contributed to improved morale and readiness. With a uniformed community that is more than 50% married, satisfactory compensation relieves much, if not all the tension brought on by operational and personal tempos.

For the FY 2005, the Administration has recommended a 3.5 percent across the board basic pay increase for members of the Armed Forces. This is commensurate with the 1999 for-

mula to provide increases of 0.5 percentage points greater than that of the previous year for the private sector. With the addition of targeted raises, the formula has reduced the pay gap with the private sector from 13.5% to 5.2% following the pay increase programmed for January 1, 2005.

FRA, however, is disappointed that the Office of Management and Budget (OMB) is opposed to targeted pay increases for certain enlisted and officer pay grades. This in the face of the Defense Department's projected recommendation to affect targeted pays along the line of those authorized for FY 2004. Targeting pay hikes for FY 2005 and FY 2006 will aide the Department's quest to increase basic pay for career personnel to equal those in the private sector earned by workers having similar education and experience levels. Comparability with private sector wage growth remains a fundamental underpinning of the all-volunteer force. To ignore it would result in severe consequences to the national defense.

**FRA urges the Subcommittee to adopt a targeted pay table for FY 2005, at least proportionate to that of January 1, 2004, and ensure that uniformed members of the Public Health Service (USPHS) are included in the pay increase authorized for FY 2005.**

### RESERVE COMPONENT

**Operational Tempo.** The increase in the use of reserve units to serve along side active duty components in Iraq, as an example, has caused considerable challenges for individual reservists. Not only has their mobilization placed a strain on employment and income, but the family as well. Employer support, once strong, decreases as more essential employees are whisked-off to spend longer periods in uniform leaving the employer frustrated with having to find a replacement and, at the same time, hold the position open for the reservist's return.

FRA has always supported the Total Force Policy but is concerned that the sustained use of reserve forces will eventually harm the recruiting and retention of young men and women willing to serve as future citizen Sailors, Marines, and Coast Guardsmen. The United States must maintain a strong reserve force at all times in the event of a greater need than at the present.

**FRA recommends that a review of the reserve's role in the Total Force Policy be affected at the earliest and that it provide recommendations to this Subcommittee on what enhancements are necessary to recruit and retain the number of reservists required for the defense of the United States. Recommendations may include such issues as tax relief, healthcare, retirement upgrades, improvements in the MGIB-SR, and family support programs.**

### RETIRED COMPONENT

**Survivor Benefit Plan.** FRA has experienced a greater concern for improving the Uniformed Services Survivor Benefit Program (USSBP) than any issue on its website ([www.fra.org](http://www.fra.org)). With an average age of 68 on the Association's membership roll, the concern is justified. Most convincing is the need to revise the language in the current Plan to reduce the "social security offset" that penalizes annuitants at a time when the need is the greatest. Then

there are the many members, age 70 and older, who have been paying into the Plan for more than 30 years with the only relief more than four years into the future.

There are three compelling reasons to amend the Plan. One, the cost of participating in USSBP has increased from 60% for the military retiree to more than 80% allowing the Department of Defense to renege on its original charge to provide 40% of the cost. Two, the USSBP was fashioned from the survivor program for retired federal employees, yet the military retiree on the average will pay more for participating in his or her Plan and the military retiree's survivor will receive a smaller annuity. Three, the military retiree on the average will pay into the USSBP over a longer period than the federal retiree. Although Congress has adopted a time for USSBP participants to halt payments of premiums (when payments of premiums equal 30 years and the military retiree is 70 years of age) the date is more than four years away. Military retirees enrolling on the initial enrollment date (1972) will this September be paying premiums for 32 years, by 2008, thirty-six years.

**FRA recommends and urges the Subcommittee to adopt the House bill, H.R. 3763, that would amend the Uniformed Services Survivor Benefit Plan (USSBP) to restore the value of service members participating in the program by increasing the survivor annuity over a ten-year period to 55%, and the date 2008 to October 31, 2004 when certain participants attaining the age of 70 and having made payment to the Plan for at least 30 years are no longer required to make such payments.**

#### ACTIVE DUTY (CONTINUED)

**Basic Allowance for Housing (BAH).** In concert with The Military Coalition, FRA supports revised housing standards that are more realistic and appropriate for each pay grade. Many enlisted personnel are unaware of the standards for their respective pay grade and assume they are entitled to a higher standard than authorized. Enlisted members, for example, are not eligible to receive BAH for a three-bedroom single-family detached house until achieving the rank of E-9 — representing only one percent of the enlisted force — yet many personnel in more junior pay grades do in fact reside in detached homes. As a minimum, the BAH standard (single-family detached house) should be extended over several years to qualifying service members beginning in grade E-8 and subsequently to grade E-7 and below as resources expand.

FRA extends appreciation to the Subcommittee for acting a few years ago to reduce out-of-pocket housing expenses for service members. Responding to the Subcommittee's leadership on this issue, the Department of Defense proposed a similar phased plan to reduce median out-of-pocket expenses to zero by FY 2005. Through the leadership and support of this Subcommittee, these commitments are now law. This aggressive action to better realign BAH rates with actual housing costs is having a real impact and providing immediate relief to many service members and families who were strapped in meeting rising housing and utility costs.

The Association applauds the Subcommittee's action, and is in hope that this plan is executed in 2005. Unfortunately, housing and utility costs will become more expensive, and the pay comparability gap, while diminished over recent years — thanks to the Subcommittee's leadership — continues to widen. Members residing off base face higher housing costs, along with sig-



nificant transportation costs, and relief is especially important for junior enlisted personnel who do not qualify for other supplemental assistance.

**FRA urges the Subcommittee to direct gradual adjustments in grade-based housing standards to more adequately cover members' current out-of-pocket housing expenses and to complete the elimination of average out-of-pocket housing expenses in FY 2005.**

**Basic Allowance for Subsistence (BAS).** FRA is grateful for the establishment of a food-cost-based standard for BAS and repealing the one percent cap on BAS increases. There is more to be done to permit single career enlisted members greater individual responsibility in their personal living arrangements. In this regard, the Association believes it is inconsistent to demand significant supervisory, leadership and management responsibilities of noncommissioned and petty officers, but still dictate to them where and when they must eat their meals while at their home duty station.

**FRA urges the Subcommittee to repeal the statutory provision limiting BAS eligibility to 12 percent of single members residing in government quarters. As a long-term goal, extend full BAS eligibility to all single career enlisted members, beginning with the grade of E-6 and, eventually, to the lower grades as budgetary constraints permit.**

**Force Size/Readiness/OPTEMPO/PERSTEMPO.** Force size, readiness, OPTEMPO, and PERSTEMPO should be addressed simultaneously. Readiness cannot be achieved at the high level demanded if force size is inadequate in numbers, OPTEMPO is too heavy and PERSTEMPO is affecting the performance of individual service members. FRA believes that all are suffering due to a shortage of uniformed members. Once again, DOD apparently is so concerned with the cost of personnel that it is reluctant to increase manpower strengths when it's obvious to FRA and others there is a need for more troops. If DOD says there is no requirement for more troops than authorized, then why did three of the military services issue stop-loss orders to many of their uniformed personnel? "It reflects the fact that the military is too small," says Charles Moskos, a leading military sociologist, "which nobody wants to admit."

The Department played an integral role in having Congress give birth to the All-Volunteer Force. As such, it must stay the course realizing that people who volunteer to lay down their lives and limbs will not do so at the same level of compensation offered their predecessors of the WWII-Vietnam era. Today 50 percent or more of our military personnel are married and have families. It costs money to enfold these families under the military's social umbrella. If the United States desires an all-volunteer armed force, it will have to pay the price. Paying the price will allow the Department to increase the size of its uniformed force in order to relieve the pressure of lengthy deployments, long hours on duty, and family concerns, each having its own negative effect on readiness. One service chief stated that he would spend every dollar available to "modernize" his service (how many years now?), but not one cent more for people. Such a statement seems incredible when one knows historically that final victory is in the hands of the people.

**FRA recommends that the military services be afforded the opportunity to determine the size of its forces and the number of personnel necessary to perform the mission.**



**However, it does little good to authorize an increase in manpower when funding is not supportive of the numbers.**

**Impact Aid.** FRA is most appreciative for the Impact Aid authorized in previous Defense measures but must urge this Subcommittee and its full Committee to support a substantial increase in the funding for schools bearing the responsibility of educating the children of military personnel and federal employees. Current funds are not adequate to ably support the education of federally sponsored children attending civilian community elementary schools. Over the years, beginning with the Nixon Administration, funding for Impact Aid has decreased dramatically. For example, in the current fiscal year the Military Impacted Schools Association (MISA) estimates Impact Aid is funded at only 60% of need according to law. Our children should not be denied the best in educational opportunities. Impact Aid provides the children of our Sailors, Marines, Coast Guardsmen, Soldiers, and Airmen, a quality education.

**FRA implores Congress to accept the responsibility of fully funding the military Impact Aid program. It is more important now to ensure our service members, many serving in harm's way, they have little to concern with their children's future but more to do with the job at hand.**

**DOD Schools.** FRA is disturbed once again with the Department of Defense (DOD) and its repeat of a quest to close some or all DOD-sponsored schools operating on military installations in CONUS. FRA is adamantly opposed to reducing the quality of education now enjoyed by military personnel and federal employees' children by forcing them to enroll in public schools politicized by local government regulations. As long as the United States continues with an all-volunteer force and as long as U. S. uniformed personnel and employees of the Armed Forces are deployed to foreign shores, CONUS schools will provide a safe haven for their children. The children whose fathers or mothers are in the military and subject to deployment or long periods of training away from the parent's installation, are better served by DOD teachers and administrators who understand their needs. Recent remarks by the Master Chief of the Navy Terry Scott provided the justification to retain and operate the Department's School System. Scott, appearing before a House panel, explained the Navy has little if any problem assigning its sailors to installations having DOD-administered schools, but experiences considerable reluctance from those who are ordered to areas where public schools are wanting.

**FRA recommends that Congress direct the Department of Defense to cease and desist before further damage is done to the morale of our Nation's military personnel and families. In an all-voluntary force environment, it's certain Congress doesn't want to add to the retention challenges the military may face in the future.**

**Dislocation Allowance (DLA).** Moving households on government orders can be costly. Throughout a military career, service members endure a number of permanent changes of station (PCS). Too often each move requires additional expenses for relocating to a new area far removed from the service members' current location.

Dislocation allowances are authorized for military-ordered moves. To aid service members in defraying these additional costs, Congress in 1955 adopted the payment of a special al-

lowance- termed "dislocation allowance" — to recognize that duty station changes and resultant household relocations reflect personnel management decisions of the Armed Forces and are not subject to the control of individual members.

Odd as it may appear, service members preparing to retire from the Armed Forces are not eligible for dislocation allowances, yet many are subject to the same additional expenses they experienced when effecting a permanent change of station during the 20 or more years of active duty spent earning the honor to retire. In either case, moving on orders to another duty station or to retire are both reflective of a management decision. Retiring military personnel after completing 20 years of service is advantageous to the Armed Forces. It opens the ranks to much younger and healthier accessions.

**FRA recommends amending 37 USC , §407, to authorize the payment of dislocation allowances to members of the Armed Forces retiring or transferring to an inactive duty status such as the Fleet Reserve or Fleet Marine Reserve who perform a "final change of station" move of 50 or more miles.**

**Education.** FRA advocates the creation of a benchmark for the MGIB so its benefits will keep pace with the cost of an average four year college education. Even with the October 1, 2004 increases in basic rates, a MGIB student looking forward to completing the 2004-2005 academic year will have to pay out-of-pocket about one-third the cost of a four year course of education in a public college or university. If married, the shortfall in benefits will place a heavier financial burden on the student.

A significant percentage of the Navy's enlisted force has no educational benefits. It seems ironic that an individual enlisting in the military services is eligible to enroll in the MGIB while another seeking to reenlist does not have the opportunity. Allowing service-members to enroll in the MGIB upon reenlisting in the Armed Forces should be the norm.

**FRA continues to support increased benefits for participation in the Montgomery GI Bill (MGIB) and to authorize certain service members the opportunity to enroll or re-enroll in the MGIB.**

**Spousal Employment.** Today's all-volunteer environment requires the services to consider the whole family. It is no longer adequate to focus only on the morale and financial well-being of the member. Now, his or her family must be considered, too. One of the major considerations is spousal employment that could be a stepping-stone to retention of the service member — a key participant in the defense of this Nation.

In recent years, the Armed Forces have become concerned with the plight of military spouses who lose employment when accompanying their service member husbands or wives to new duty locations. Studies have concluded that many military families suffer significant financial setbacks. Some losses are substantial. Worse, yet, is the lack of equal or even minimal employment opportunities at the new duty locations.

The services are continuing to test new programs to assist spouses in finding full or temporary employment to include counseling and training. Other initiatives will help spouses find "portable" employment in companies with customer-service jobs that can be done at remote locations. FRA salutes these efforts and encourages the military departments to continue the march.

**The Association urges Congress to continue its support of the military's effort to affect a viable spousal employment program and to authorize sufficient funds to assure the program's success.**

#### **RESERVE COMPONENT (CONTINUED)**

**MGIB-SR.** The Selected Reserve MGIB has failed to maintain a creditable rate of benefits with those authorized in Title 38, Chapter 30. Other than cost-of-living increases, only two improvements in benefits have been legislated since 1985. In that year MGIB rates were established at 47% of active duty benefits. This past October 1, the rate fell to 27% of the Chapter 30 benefits. While the allowance has inched up by only 7% since its inception, the cost of education has climbed significantly.

**FRA stands four square in support of the Nation's Reservists. To provide an incentive for young citizens to enlist and remain in the Reserves, FRA recommends to Congress the pressing need to enhance the MGIB-SR rates for those who choose to participate in the program.**

**Academic Protection for Reservists.** There are cases where reservists, attending higher institutions of learning, called to active duty in the defense of the Nation and its citizens, lose credits or pre-paid tuition costs because they did not complete the course of instruction. FRA believes Congress should adopt provisions of law that require colleges and universities to retain and reactivate the credits and prepaid costs for the reservists upon demobilization.

**FRA urges Congress to adopt legislation that would provide academic and financial protection to members of the Reserve who are attending an institution of higher learning when called to active duty.**

#### **RETIRED COMPONENT (CONTINUED)**

**Authorize Surviving Spouses a Full Month's Retired Pay for Month in which Retirees Die.** This is a proposal initiated by FRA based on pleas from surviving spouses caught up in the bureaucracy of mammoth rules and regulations, absolutely foreign to them. Current regulations require survivors of deceased military retirees to return any retirement payments received for the month in which the retiree dies. On the demise of a retired service member entitled to retired pay, the surviving spouse or beneficiary is to notify the Defense Department of the death. The Department's financial arm then stops payment on the retirement check or electronic deposit and subsequently recalculates the payment to cover the actual days in the month the retiree was alive. In other cases where the death is not reported in a timely manner, any payments made for the days the retiree was not alive will be recouped.

Retirement and its related activities are most agonizing if not an arduous experience for many military retirees and families transitioning to an unfamiliar civilian-lifestyle. For the average retiree, and most likely the enlisted member, will suddenly discover finances now will be more than a principal concern. On leaving active duty, the retiree's income will drop 60-to-70 percent of what he/she earned while in uniform. The enlisted retiree, unlike his or her active duty counterpart, will receive no death gratuity and, in the case of many of the older enlisted retirees, would not have had the financial resources to purchase adequate insurance to provide a financial cushion for the surviving spouse.

Death is a most traumatic experience for survivors. It is a most painful time when the surviving spouse must accept the task of arranging for the deceased members' funeral services. The additional cost involved constitutes a major output of scarce family dollars only amplified by the loss of retirement income when needed the most. A final month's retirement payment will go far in helping to sooth the strain on the survivor's financial obligations.

To aid in reducing the cost of the proposal, survivor benefit payments may be forfeited for the month in which the retiree dies and, in lieu thereof, the survivor receives the retiree's final month's check. In the event the retiree's final month's retirement check is less than the SBP annuity, the survivor would receive the one most favorable.

**FRA recommends that, in consideration of service to the Nation and the trauma surrounding the death of a retired service member, the surviving spouse would be entitled to receive and retain the final retired pay check/deposit covering any month in which the member was alive for any 24-hour period.**

**Concurrent Receipt.** The FY 2003 National Defense Authorization Act (NDAA) authorizes a special compensation that establishes a beachhead to authorizing full concurrent receipt, a term for the payment of both military non-disability retired pay and any VA compensation for service-connected disabilities without a reduction in one or the other payment. The FY 2004 NDAA expanded the beneficiary list to include those retired service members with at least a 50% compensatory service-connected disability. Although FRA is appreciative of the effort of Congress to address the issue, it fails to meet the resolution adopted by the Association's membership to seek full compensation for both length-in-service military retirement and VA compensation. Currently, the receipt of VA compensation causes a like reduction to a retired service member's military retired pay. This leads to the belief, and well-deserved, that retired service members, earning retired pay as a result of 20 years or more of service, are forced to pay for their own disablement.

Most disabilities are recognized after the service member retires. Some are discovered while the member is still performing active duty or as the result of a retirement physical. However, it is to the benefit of the Department of Defense to retire the member without compensation for any disability. Instead, the member is directed to the Department of Veterans' Affairs for compensatory relief for the damages incurred by the member while serving the Nation in uniform.



Prior to 1975, all military disability pay was tax exempt. A perception of abuse to the system, mostly in the Armed Forces senior grades, caused Congress to amend the Internal Revenue Code. The Tax Reform Act of 1976 forced the Department of Defense (DOD) to change the rules so that only a percentage of the member's disability retired pay attributable to combat-related injuries would be tax-exempt. Subsequently, many retiring service members petitioned the VA for relief for service-connected injuries.

Service members, whether in uniform or retired, are considered Federal employees subject not only to Title 10, U. S. Code, but Title 5, U. S. Code, regulating the conduct and performance of government employees, on the job or retired. When retired, service members are not entitled to VA compensation payments for their disabilities without forfeiting an equal amount of their retired pay with one exception; military retirees may go on the federal employee rolls and subsequently retire using military service time to calculate their federal retirement annuity. They, then, may receive veterans' compensation as well as Federal civil service retirement payments with no offsets, reductions, or limits. Why should current law discriminate against the military retiree?

**FRA encourages Congress to take the helm and fully authorize and fund concurrent receipt of military non-disabled retirement pay and veterans' compensation program as currently offered in H.R. 303, a bill introduced by Rep. Mike Bilirakis (Fla.) or S. 392 introduced by Senator Harry Reid (Nev.). Congress should remember that U.S. service members, more so than any collective group, not only had a major hand in the creation of this Nation, but have contributed for more than 200 years to the military and economic power of the United States. Those who have served in the Armed Forces for 20 years or more years certainly deserve the opportunity to have equity with their counterparts in the Federal service who can earn both without a penalty to one or the other.**

**Cost of Living Adjustments (COLA).** Recent threats to curtail or halt cost of living adjustments (COLAs) have been lobbied in the direction of military retired pay and related payments such as survivor benefit annuities. Once again, Congress is urged to keep its promise that military retired pay will maintain its purchasing power based on increases in the Consumer Price Index (CPI).

One must recall that the wisdom of Congress initiated the COLA program in lieu of the "re-computation" system. Re-computation was a term used to describe adjustments to military retired pay prior to the 1970s. Military retirees received retirement pay adjustments each time active duty pay was increased. This system guaranteed the service member if he/she retired at a certain percentage of active duty pay, that pay would maintain the same percentage factor to active duty pay throughout retirement. In 1963, Congress — concerned with a heightened number of retired WWII members on the retired roll — decided to switch to the CPI method.

In 1985 the Gramm-Rudman-Hollings Act gave the Administration an open door policy to "stop payment" on COLAs to military retired pay. The result was a frontal attack on Congress by military retirees under the banner of the newly formed (The) Military Coalition. Congress did not include veterans in its sequestration proposing a 3.7% COLA for veterans and their survi-

vors, so the Coalition used the slogan, "Military retirees are veterans too." The Coalition was irate.

Conversely, COLA protection is the paramount reason military retirees make an irrevocable decision to elect significant reductions in retired pay to provide surviving spouses and children with an annuity following the retiree's death. The most compelling reason for the decision is that the guaranteed inflation protection made the Uniformed Services Survivor Benefit Plan (USSBP) a superior alternative to life insurance policies. The sequestration of COLA funds violate that guarantee and greatly diminishes the value of the USSBP.

**FRA recommends that Congress — if it reduces the FY 2005 budget — not target military and federal retirees' retirement pay. Such action is discriminating and contrary to the promise made by Congress to maintain the purchasing power of military retirement pay.**

**Uniformed Services Former Spouses Protection Act (USFSPA).** The USFSPA is a statute adopted without hearings on the House side and no up-or-down vote in the Senate. As one member of the House said at the time, the law will cause more problems than it will solve. How true the prediction.

Since its inception in 1982, more than two-thirds of states have adopted community property laws. More have turned to no-fault decisions in determining the outcome of divorces. Some of the actions were the result of State Courts embracing the USFSPA as a means to automatically strip military retirees of their hard-earned retirement pay for the payment of alimony to a former spouse who in far too many cases, failed to dedicate the same number of years to the marriage and the military. Whether serving in war or peace, the military member is credited only 2 1/2 percentage points for each year of active duty. It takes at least 20 years to receive sufficient credits to qualify for retirement. On reaching that plateau the member becomes entitled to 50 percent of his or her active duty pay. Fifty (50) percent of the member's active duty pay, by the way, is nearer to 30 percent of all pay and allowances earned while serving in uniform.

One of the major problems with USFSPA is it allows state courts to consider military retired pay as property that may be divided between the retiree and the spouse/former spouse. The court, with little or no knowledge of how the retiree earns retired pay, grants the spouse/former spouse a portion of that retired pay for the life of the retiree, regardless of the number of years of marriage. A lifetime of payments to a spouse/former spouse for a period of marriage less than 20 years during which the retiree was slowly accruing only 2 1/2 percent for each of those years is unfair, inequitable and discriminating.

The spouse/former spouse should not be entitled to more than an equal percentage of the retiree's retirement pay for each year of marriage and should not be in receipt of that amount for any longer than the number of years of marriage. Although the service member is not entitled to retired pay until the minimum credible time is completed, the former spouse can become eligible at any time based on the decision of a Civil Court.

It's a terrible law. Moreover, since state courts have little if anything to say about how the military directs its people to serve the Nation, and service members agree only to defend the Constitution, why does the Federal government dump its fiscal responsibilities to its uniformed members onto the state courts?

**FRA recommends that this Subcommittee, this Congress, accept the responsibility of conducting a review and the possible adoption of amendments to the Uniformed Services Former Spouses Protection Act [10 USC, 1408] to establish a more equitable division of the service member's retirement pay with a spouse/former spouse upon dissolution of a marriage.**

**Medical Care Recovery Act.** In the summer of 2003 while the new Sergeant Major of the Marine Corps was in the process of assuming his duty, his wife was nearly killed by a "ward driver." She spent weeks in a Navy hospital the recipient of emergency brain surgery, intensive care, military air transportation to Washington, D.C, from California, and both occupational and physical therapy. Now the Navy is proceeding to recover the returns from the insurance companies of both parties, an estimated \$100,000.

The Navy, as with the other Services, cites a 41-year old law, Medical Care Recovery Act, as the basis to collect payment for medical care administered to uniformed personnel. According to a January 4, 2004 news article by James W. Crawley in the *San Diego Union Tribune*, the Navy collected \$11 million in reimbursements from insurance companies in the past year "that would have gone to sailors, Marines, and their dependents."

Apparently, the law is reasonable. The Navy operates its medical facilities with taxpayer funds and it is only right that these expenditures be recovered whenever possible. However, the question of fairness rises to the front when the process of recovery goes against the victim. FRA believes any recovery should come from the insurance of the party at fault. In many cases the proceeds from the victim's insurance policy will be earmarked for expenses involved in the continued care of the victim, baby-sitting, replacement vehicle, and other everyday living requirements not now accomplished on a personal basis but by payment or hire.

The ironic part of this statute is that recovery is only collectible through a third party. If a service member is injured as a result of "willful and negligent" acts and in receipt of medical care in a military treatment facility, no claim of recovery can be made against the member.

The law does allow the Secretary concerned to waive a claim of the United States. However, it is doubtful that affected serviced members are aware such a waiver may be granted if requested. Such knowledge such be disseminated to all service members through the military's information program and upon receipt of treatment and care at a military treatment facility.

FRA recommends a review of the law, 10 USC 1095, and the possibility of an amendment authorizing the no-fault victim to retain a certain percentage of the proceeds from insurance claims so the no-fault victim will not bear a fiscal burden during a time of financial need.

**OTHER ISSUES**

**Health Care.** The Fleet Reserve Association (FRA) has prepared a statement on health care available on request to Bob Washington, Director of Legislative Programs, 703-683-1400, or e-mail (legfra@fra.org).

**Military Construction/Family Housing.** The Association's statement on Military Construction/Family Housing is available on request to Bob Washington at the above addresses.

(Note: The two statements immediately above have been or will be submitted to the appropriate Congressional Subcommittee, as requested.)

**CONCLUSION**

FRA is grateful for the opportunity to present its goals for FY 2005. If there are questions or a need for further information, please call Bob Washington, FRA Director of Legislative Programs, at 703-683-1400.



**STATEMENT OF  
THE MILITARY COALITION  
before the**

**Total Force Subcommittee**

**House Armed Services Committee**

**“Military Personnel Policy, Benefits and Compensation Overview”**

**March 24, 2004**

**Presented by**

**Joe Barnes, Master Chief, USN (Ret)  
Co-Chairman, Personnel, Compensation and Commissaries Committee**

**Erin M. Harting  
Co-Chairman, Guard and Reserve Committee**

**Lee Lange, Colonel, USMC (Ret)  
Co-Chairman, Survivors Committee**

MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE. On behalf of The Military Coalition, a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful to the Subcommittee for this opportunity to express our views concerning issues affecting the uniformed services community. This testimony provides the collective views of the following military and veterans' organizations, which represent approximately 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

- Air Force Association
- Air Force Sergeants Association
- Air Force Women Officers Associated
- American Logistics Association
- AMVETS (American Veterans)
- Army Aviation Association of America
- Association of Military Surgeons of the United States
- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Association for Uniformed Services
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Non Commissioned Officers Association
- Reserve Officers Association
- Society of Medical Consultants to the Armed Forces
- The Retired Enlisted Association
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars of the United States
- Veterans' Widows International Network

The Military Coalition, Inc., does not receive any grants or contracts from the federal government.

**Biography of Joseph L. Barnes, Chief Master Sergeant, USN (Ret)**  
**National Executive Secretary**  
**Fleet Reserve Association**

The Fleet Reserve Association's (FRA's) National Board of Directors (NBOD) selected Joseph L. (Joe) Barnes, FRA Branch 181, to serve as the Association's National Executive Secretary (NES) during a pre-national convention meeting in Kissimmee, Fla., in September 2002.

He is FRA's senior lobbyist and chairman of the Association's National Committee on Legislative Service. In addition, he is the chief assistant to the National President and the NBOD, and is responsible for managing FRA's National Headquarters in Alexandria, Va.

A retired Navy Master Chief, Barnes served as FRA's Director of Legislative Programs and advisor to FRA's National Committee on Legislative Service since 1994. During his tenure, the Association realized significant legislative gains, and was recognized with a certificate award for excellence in government relations from the American Society of Association Executives (ASAE).

In addition to his FRA duties, Barnes works effectively as Co-Chairman of The Military Coalition's (TMC's) Personnel, Compensation FRA and TMC on Capitol Hill. He is also a member of the Defense Commissary Agency's (DeCA's) Patron Council.

Barnes joined FRA's National Headquarters team in 1993 as editor of On Watch, FRA's bimonthly publication distributed to Navy, Marine Corps, and Coast Guard personnel. While on active duty, he was the public affairs director for the United States Navy Band in Washington, DC. His responsibilities included directing marketing and promotion efforts for extensive national concert tours, network radio and television appearances, and major special events in the nation's capital. His awards include the Defense Meritorious Service and Navy Commendation Medals.

He is a member of the U.S. Navy Memorial Foundation's Board of Directors and in recognition of his work on behalf of enlisted personnel, Barnes was appointed an Honorary Member of the United States Coast Guard by Admiral James Loy, former Commandant of the Coast Guard, and then-Master Chief Petty Officer of the Coast Guard Vince Patton at FRA's 74th National Convention in September 2001.

Barnes holds a bachelor's degree in education and a master's degree in public relations management from The American University, Washington, DC and earned the Certified Association Executive (CAE) designation from ASAE in 2003. He's an accredited member of the International Association of Business Communicators (IABC), a member of the ASAE and the American League of Lobbyists.

He has served in a variety of volunteer leadership positions in community and school organizations and is married to the former Patricia Flaherty of Wichita, Kansas. The Barnes' have three daughters, Christina, Allison, and Emily and reside in Fairfax, Virginia.

**Biography of Colonel Lee F. Lange II USMC (Ret)**  
**Deputy Director, Government Relations**  
**Military Officers Association of America (MOAA)**

Lee F. Lange II was born in Minnesota and raised in California where he graduated from the University of Southern California in June 1970. He was commissioned a second lieutenant in the Marine Corps following completion of Officer Candidate School in May 1971.

After graduation from The Basic School in November 1971, he attended the Field Artillery Officer Basic Course at Ft Sill, Oklahoma and served in variety of artillery assignments 1<sup>st</sup> Marine Brigade in Hawaii, the 3d Marine Division in Okinawa, Japan and the 1<sup>st</sup> Marine Division in Camp Pendleton, California.

In 1978, Capt Lange was transferred to Ft Sill, Oklahoma to attend the Artillery Officers Advanced Course and later assigned to the 4<sup>th</sup> Marine Division as Inspector – Instructor for a Reserve artillery unit. He returned to Camp Pendleton in 1981, where he served as Battalion Liaison Officer and Operations Officer for 3d Battalion, 11<sup>th</sup> Marines and Executive Officer, of 1<sup>st</sup> Battalion, 11<sup>th</sup> Marines.

In August 1984, Maj Lange reported to Quantico, Virginia to attend Marine Corps Command and Staff College. Following school, he was assigned to U.S. Forces Korea, as Deputy Director of Operations in the J-3 Command Center. Ordered to Headquarters Marine Corps in June 1987, Maj Lange served as Programs Officer, and later as Head, Plans, Programs and Budget Section in the Manpower and Reserve Affairs Department.

Reassigned in June 1990 to the 2d Marine Division, LtCol Lange served with the Division G-3 and deployed to Southwest Asia for Operations Desert Shield/Desert Storm. He later served as the S-3 and Executive Officer, 10<sup>th</sup> Marines. Ordered again to Headquarters Marine Corps in August 1993, Colonel Lange was assigned as Head, Manpower Plans, Programs, Policy and Budget Branch, Manpower and Reserve Affairs Department.

In March 1997, Colonel Lange was assigned to the 2d Marine Division as the G-3, Operations Officer. He assumed command of Headquarters Battalion on 11 July 1997. In July 1999, he was assigned a third time to Headquarters Marine Corps as the Deputy Director, Manpower Plans and Policy before retiring after 30 years service. He joined the MOAA staff as Deputy Director, Government Relations in June 2001.

His personal decorations include 3 awards of the Legion of Merit, Bronze Star with Combat "V", Defense Meritorious Service Medal, Meritorious Service Medal with gold star and the Combat Action Ribbon.

He is married to the former Janet McCallon of Claremont, California. They have two daughters, Jennifer and Heather.



**Biography of Erin M. Harting**  
**Deputy Director of Legislative Affairs**  
**The Enlisted Association of the National Guard of the United States**

Erin M. Harting currently serves as Deputy Director of Legislative Affairs for the Enlisted Association of the National Guard of the United States (EANGUS). She previously served as Legislative Analyst, and in an administrative position. She has been with EANGUS for eight years. Her duties include responsibility for the legislative activities at the association's national headquarters in Alexandria, Virginia. She is responsible for assisting the Executive Director in carrying out the association's legislative agenda, which includes personnel issues, procurement, counterdrug and military construction issues.

Ms. Harting also serves as the Co-Chair of The Military Coalition's Guard and Reserve Committee. She has held that position since 1997. The Military Coalition is a consortium of 36 nationally prominent uniformed services and veterans organizations representing 5.5 million members who come together to work on issues of importance to all uniformed service members. The Guard and Reserve Committee have oversight on all issues involving National Guard and Reserve Component personnel.

Ms. Harting is an elected Town Council Member for the Town of Quantico. She has served on the town's Council and Planning Commission since 1998. She is married and has one son.

## EXECUTIVE SUMMARY RECOMMENDATIONS OF THE MILITARY COALITION

### ACTIVE FORCE ISSUES

**Personnel Strengths and Operations Tempo.** The Military Coalition strongly recommends restoration of Service end strengths consistent with long-term sustainment of the global war on terrorism and fulfillment of national military strategy. The Coalition supports increases in recruiting resources as necessary to meet this requirement. The Coalition urges the Subcommittee to consider all possible manpower options to ease operational stresses on active, Guard and Reserve personnel.

**Pay Raise Comparability and Pay Table Reform.** The Military Coalition urges the Subcommittee to restore full pay comparability on the quickest possible schedule, and to reject any request from the Administration to cap future pay raises or to provide smaller increases to servicemembers in the US Public Health Service or National Oceanic and Atmospheric Administration. The Coalition believes all members of the uniformed services need and deserve annual raises at least equal to private sector wage growth. The Coalition supports the Department of Defense plan for increased "targeted" raises to align the pay of career servicemembers with earnings in the private sector for civilians with comparable experience and education. However, to the extent that "targeted" raises are needed, the Department of Defense should define the ultimate objective pay table toward which these targeted raises are aimed.

**Commissaries.** The Military Coalition opposes all privatization and variable pricing initiatives and strongly supports full or even enhanced funding of the commissary benefit to sustain the current level of service for all beneficiaries including Guard and Reserve personnel and their families.

**Family Readiness and Support.** The Military Coalition recommends a family support structure, with improved education and outreach programs and increased childcare availability, to ensure a high level of family readiness to meet the requirements of increased force deployments for active, National Guard and Reserve members.

**Education Benefits for Career Servicemembers.** Career servicemembers who have not had an opportunity to sign up for a post-service educational program deserve an opportunity to enroll in the Montgomery GI Bill (MGIB) and The Military Coalition urges the Subcommittee to authorize them to do so.

**Basic Allowance for Housing (BAH).** The Military Coalition urges an adjustment to grade-based housing standards to more accurately reflect realistic housing options and members' out-of-pocket housing expenses. The Coalition further urges the Subcommittee to eliminate service members' average out-of-pocket housing expenses in FY 2005.

**Permanent Change of Station (PCS).** The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances to recognize that the government, not the servicemember, should be responsible for paying the cost of doing the government's business.

**Basic Allowance for Subsistence (BAS).** The Military Coalition urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12 percent of single members residing in government quarters. As a long-term goal, the Coalition supports extending full BAS eligibility to all single career enlisted members, beginning with the grade of E-6 and extending eligibility to lower grades as budgetary constraints allow.

### NATIONAL GUARD AND RESERVE ISSUES

**Support of Active Duty Operations.** The Military Coalition urges continued attention to ensuring an appropriate balance between National Guard and Reserve force strengths and missions and careful Congressional oversight of Defense Department "transformation" initiatives that could threaten the nation's "seamless, integrated total force" policy.

**Healthcare for Members of the National Guard and Reserve.** The Military Coalition urges permanent authority for cost-share access to TRICARE for all members of the Selected Reserve—those who train regularly—and their families in order to ensure medical readiness and provide continuity of health insurance coverage. As an option for these servicemembers, the Coalition urges authorizing the government to pay part or all of private health insurance premiums when activation occurs, a program already in effect for reservists who work for the Department of Defense.

**Guard/Reserve Retirement Upgrade.** The Military Coalition urges a reduction in the age when a Guard/Reserve component member is eligible for retired pay to age 55 as an option for those who qualify for a non-regular retirement.

**Selected Reserve Montgomery GI Bill (SR-MGIB) Improvements.** The Military Coalition recommends a phased increase in SR-MGIB benefits to restore it to its original value of 47 percent of basic benefits under the MGIB and also recommends transfer of the SR-MGIB authority from Title 10 to Title 38 to permit proportional benefit adjustments in the future.

**Guard/Reserve Family Support Programs.** The Military Coalition urges that adequate funding be made available for a core set of family support programs and benefits that meet the unique needs of geographically dispersed Guard and Reserve families who do not have ready access to military installations or current experience with military life.

**Retirement Credit for All Earned Drill Points.** The Military Coalition recommends lifting the 90-point cap on the number of Inactive Duty Training (IDT) points earned in a year that may be credited for National Guard and Reserve retirement purposes.

### SURVIVOR PROGRAM ISSUES

**Age 62 SBP Offset.** The Military Coalition strongly recommends elimination of the patently inequitable and highly discriminatory age-62 Survivor Benefit Plan annuity reduction now imposed on military survivors. To the extent that immediate implementation may be constrained by fiscal limitations, the Coalition urges enactment of a phased annuity increase as envisioned in S. 1916 and H.R. 3763.

**30-Year Paid-Up SBP.** The Military Coalition strongly recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2004.

**SBP-DIC Offset.** The Military Coalition strongly recommends that the current dollar-for-dollar offset of Survivor Benefit Plan (SBP) benefits by the amount of Dependency and Indemnity Compensation (DIC) be eliminated, recognizing that these two payments are for different purposes.

## **RETIREMENT ISSUES**

**Concurrent Receipt of Military Retired Pay and Veterans Disability Compensation.** The Military Coalition urges Subcommittee leaders and members to be sensitive to the need for further adjustments to last year's concurrent receipt provision and to eliminate the disability offset for all disabled retirees. As a priority, the Coalition urges the Subcommittee to ensure the Veterans' Disability Benefits Commission protects the principles guiding the DoD disability retirement program and VA disability compensation system.

**Final Retired Pay Check.** The Military Coalition strongly recommends that surviving spouses of deceased retired members should be allowed to retain the member's full retired pay for the month in which the member died.

**Former Spouse Issues.** The Military Coalition recommends corrective legislation, including the recommendations made by the Department of Defense in their 2001 USFSPA report, be enacted to eliminate inequities in the administration of the Uniformed Services Former Spouse Protection Act.

**Tax Relief for Uniformed Services Beneficiaries.** The Coalition urges the Subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums or enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRICARE Retiree Dental Plan, FEHBP and Long Term Care.

## **OVERVIEW**

Mr. Chairman, The Military Coalition (TMC) thanks you and the entire Subcommittee for your unwavering support for fair treatment of all members of the uniformed services and their families and survivors. The Subcommittee's strong support to improve military pay, housing allowances, health care, and other personnel programs has made a significant difference in the lives of active, Guard and Reserve personnel and their families. This is especially true for our deployed servicemembers, and their families and survivors, who are defending this Nation in our global war on terror.

The Subcommittee's support of last year's landmark authority to eliminate the offset of retired pay for veterans' disability compensation for all retirees with disabilities of at least 50 percent, and for all retirees disabled by combat or combat-related training. These and the many other important provisions of the FY 2004 National Defense Authorization Act will enhance and enrich the quality of life of our servicemembers, retirees and their families and survivors in the years ahead.



Congress has clearly made military compensation equity a top priority and has accomplished much over the past several years to improve the lives of men and women in uniform and their families. But, last year we heard recommendations from some in the Administration to return to the failed policies of the past by capping future military pay raises below private sector wage growth. Shortchanging compensation for military personnel has exacted severe personnel readiness problems more than once in the last 25 years, and the Coalition thanks the Subcommittee for rejecting the Administration's advice last year to cap military raises, and staying the course with prior provisions for better than average raises through FY 2006.

But, despite this tremendous growth in military compensation, we are deeply troubled by how hard troops have to work—and their families have to sacrifice—for that compensation.

Today's reality is simple—servicemembers and their families are being asked to endure ever-greater workloads and ever-greater sacrifices. Repeated deployments, often near back-to-back, have stressed the force to the point where retention and readiness would suffer now, if it weren't for the Services' stop-loss policies and massive recalls of Guard and Reserve members. The hard fact is that we don't have a large enough force in the majority of components to carry out today's missions and still be prepared for new contingencies that may arise elsewhere in the world.

Your FY 2004 defense bill provisions authorizing—for the first time ever—the concurrent receipt of retired pay and veterans' disability compensation eliminated a century-old inequity for tens of thousands of severely disabled retirees. We applaud the Subcommittee for this unprecedented and historic legislation and ask the Subcommittee to be sensitive to the tens of thousands who continue to experience unfair reductions in their retired pay.

The Military Coalition appreciates past improvements to the Survivor Benefit Plan (SBP) that extended SBP eligibility to the survivors of those killed on active duty. However, very serious SBP inequities remain to be addressed for older survivors, most of them widows, who see a drastic reduction in their survivor benefit when they reach age 62. Increasing their survivor annuity to at least the level afforded survivors of federal civilians is a top Coalition priority.

In testimony today, The Military Coalition offers its collective recommendations on what needs to be done to address these important issues and sustain long-term personnel readiness.

### **ACTIVE FORCE ISSUES**

Since the end of the Cold War, the size of the force and real defense spending have been cut more than a third. In fact, the defense budget today is 3.8 percent of this Nation's Gross Domestic Product—less than half of the share it comprised in 1986. But national leaders also have pursued an increasingly active role for America's forces in guarding the peace in a very dangerous world. Constant and repeated deployments have become a way of life for today's servicemembers, and the stress is taking a significant toll on our men and women in uniform, and their families and survivors, as well.

The Subcommittee has taken action to help relieve the stress of repeated deployments and last year's authority to extend the temporary increases in Imminent Danger Pay (IDP) and Family Separation Allowance (FSA) is one example of the many notable and commendable improvements made during the last several years in military compensation and health care

programs. However, retention remains a significant challenge, especially in technical specialties. While some service retention statistics are up from previous years' levels, many believe those numbers are skewed by post-9/11 patriotism and by Services' stop-loss policies. That artificial retention bubble is not sustainable for the long-term under these conditions, despite the reluctance of some to see anything other than rosy scenarios.

From the servicemembers' standpoint, the increased personnel tempo necessary to meet continued and sustained training and operational requirements has meant having to work progressively longer and harder every year. "Time away from home" has become a real focal point in the retention equation. Servicemembers have endured years of longer duty days; increased family separations; difficulties in accessing affordable, quality health care; deteriorating military housing; less opportunity to use education benefits; and significant out-of-pocket expenses with each military relocation.

The war on terrorism has now intensified with sustained operations in Iraq and Afghanistan. Members' patriotic dedication has been the fabric that has sustained this increased workload, and a temporarily depressed economy and Service stop-loss policies have deterred losses for now. But the longer-term outlook is problematic.

Experienced (and predominantly married) officers, NCOs and petty officers are under pressure to make long-term career decisions against a backdrop of a demand for their skills and services in the private sector, even through the recent economic downturn. In today's environment, more and more servicemembers and their families debate among themselves whether the rewards of a service career are sufficient to offset the attendant demands and sacrifices inherent in uniformed service. They see their peers going home to their families every night, and when faced with repeated deployments, the appeal of a more stable career and family life, often including an enhanced compensation package with far less demanding working conditions, is attractive. Too often, our excellent soldiers, sailors, airmen and Marines are opting for civilian career choices, not because they don't love what they do, but because their families just can't take the stress any more.

On the recruiting front, one only needs to watch prime-time television to see powerful marketing efforts on the part of the Services. But this strong marketing must be backed up by an ability to retain these talented men and women. This is especially true as the Services become more and more reliant on technically trained personnel. To the Subcommittee's credit, you reacted to retention problems by improving military compensation elements. We know you do not intend to rest on your well deserved laurels and that you have a continuing agenda in place to address these very important problems. But we also know that there will be stiff competition for proposed defense budget increases. The truth remains that the finest weapon systems in the world are of little use if the Services don't have enough high quality, well-trained people to operate, maintain and support them.

The Subcommittee's key challenge will be to ease servicemembers' debilitating workload stress and continue to build on the foundation of trust that you have established over the past four years—a trust that is being strained by years of disproportional sacrifice. Meeting this challenge will require a reasonable commitment of resources on several fronts.

**Personnel Strengths and Operations Tempo.** The Coalition is dismayed at the Department of Defense's reluctance to accept Congress' repeated offers to increase Service end strength to

relieve the stress on today's armed forces, who are clearly now sustaining an increased operations tempo to meet today's global war on terror. While we are encouraged by the Army's announcement to temporarily increase their end strength by 30,000, we are deeply concerned that Administration-proposed plans for selected temporary manpower increases rely too heavily on continuation of stop-loss policies, unrealistic retention assumptions, overuse of the Guard and Reserves, optimistic scenarios in Southwest Asia, and the absence of any new contingency needs.

The Department has also responded to your offers to increase end strength with their intention to transform forces, placing non-mission essential resources in core war fighting skills. While the Department's transformation vision is a great theory, its practical application will take a long time—time we do not have after years of extraordinary operational tempo that is exhausting our downsized forces.

In fact, the Joint Chiefs testified that their forces were stressed before 9/11 and end strength should have been increased then. Now, almost three years later, after engaging in two major operations, massive Guard and Reserve mobilizations, and broad implementation of "stop-loss" policies, the only reason end strength has not been increased is because of the Department's "transformation" plan—a plan they have not finalized with Congress.

Administration and military leaders warn of a long-term mission against terrorism that requires sustained, large deployments to Central Asia and other foreign countries. The Services simply do not have sufficient numbers to sustain the global war on terrorism, deployments, training exercises and other commitments, so we have had to recall significant numbers of Guard and Reserve personnel. Service leaders have tried to alleviate the situation by reorganizing deployable units, authorizing "family down time" following redeployment, or other laudable initiatives, but such things do little to eliminate long-term workload or training backlogs, and pale in the face of ever-increasing mission requirements. For too many years, there has always been another major contingency coming, on top of all the existing ones. If the Administration does not recognize when extra missions exceed the capacity to perform them, the Congress must assume that obligation.

The Coalition strongly believes that earlier force reductions went too far and that the size of the force should have been increased several years ago to sustain today's pace of operations. Deferral of meaningful action to address this problem cannot continue without risking serious consequences. Real relief is needed now. There is no certainty that missions will decline, which means that the only prudent way to assure we relieve the pressure on servicemembers and families is to increase the size of the force.

This is the most difficult piece of the readiness equation, and perhaps the most important under current conditions. Pay and allowance raises are essential to reduce other significant career irritants, but they can't fix fatigue and lengthy and more frequent family separations.

Some argue that it will do little good to increase end strengths, questioning whether the Services will be able to meet higher recruiting goals. The Coalition believes strongly that this severe problem can and must be addressed as an urgent national priority, with increases in recruiting budgets if that proves necessary.



Others point to high reenlistment rates in deployed units as evidence that high operations tempo actually improves morale. But much of the reenlistment rate anomaly is attributable to tax incentives that encourage members to accelerate or defer reenlistment to ensure this occurs in a combat zone, so that any reenlistment bonus will be tax-free. Retention statistics are also skewed by stop-loss policies. Over the long run, past experience has shown that time and again smaller but more heavily deployed forces will experience family-driven retention declines.

Action is needed now. Failing to do so will only deepen the burden of already over-stressed troops and make future challenges to retention and recruiting worse.

*The Military Coalition strongly recommends restoration of Service end strengths to sustain the long-term global war on terrorism and fulfill national military strategy. The Coalition supports increases in recruiting resources as necessary to meet this requirement. The Coalition urges the Subcommittee to consider all possible manpower options to ease operational stresses on active, Guard and Reserve personnel.*

**Pay Raise Comparability.** The Military Coalition appreciates the Subcommittee's leadership during the last six years in reversing the routine practice of capping servicemembers' annual pay raises below the average American's. In servicemembers' eyes, all of those previous pay raise caps provided regular negative feedback about the relative value the Nation placed on retaining their services.

Unfortunately, this failed practice of capping military raises to pay for budget shortfalls reared its head again last year when the Director of the Office of Management and Budget proposed capping future military pay raises at the level of inflation. The Coalition was shocked and deeply disappointed that such a senior officer could ignore 25 years of experience indicating that pay caps lead inevitably to retention and readiness problems. Not only was the proposal ill timed as troops were engaged in combat operations in Afghanistan and Iraq—it was just bad, failed policy.

The President ultimately rejected his senior budget official's advice; but, while supporting a 4.1 percent pay raise for most of the uniformed services, the Administration's FY 2004 budget proposed to cap the pay of NOAA and USPHS officers at 2 percent. The Military Coalition strongly objected to this disparate treatment of members in those uniformed services and your Subcommittee ensured that NOAA and USPHS personnel received the same 4.1 percent pay raise. We strongly urge the Subcommittee to reject any requests from the Administration recommending treatment of NOAA and PHS commissioned officers that is different from that accorded their fellow comrades-in-arms.

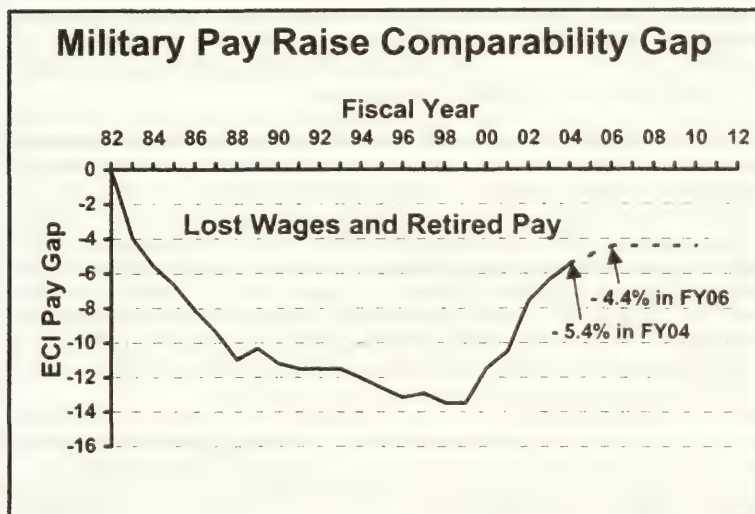
Pay raise comparability with private sector wage growth is a fundamental underpinning of the all-volunteer force, and it cannot be dismissed without severe consequences for national defense.

When the pay raise comparability gap reached 13.5 percent in 1999—resulting in predictable readiness crises—this Subcommittee took responsible action to change the law. Largely because of your efforts and the belated recognition of the problem by the Executive Branch, the gap has been reduced to 5.4 percent as of 2004.

While it would take another 5 years to restore full comparability at the current pace, we sincerely appreciate this Subcommittee's decision to change the prior law that would have resumed



capping pay raises at below private sector growth and enacting a new law requiring all raises, beginning in FY 2007, to at least equal private sector wage growth as measured by the Bureau of Labor Statistics ECI.



*The Military Coalition urges the Subcommittee to restore full pay comparability on the quickest possible schedule, and to reject any request from the Administration to cap future pay raises for any segment of the uniformed services population.*

**Pay Table Reform.** The Subcommittee also has supported the Department of Defense plan to fix problems within the basic pay table by authorizing special "targeted" adjustments for specific grade and longevity combinations in order to align career servicemembers' pay with private sector earnings of civilians with similar education and experience.

The Coalition supports the DoD plan for targeted raises; but, once again, the Coalition was disappointed with the actions of the Office of Management and Budget (OMB)—this time, by their recently reported denial for a \$300 million request from DoD to continue targeted raises for career servicemembers.

While the Coalition is most appreciative of the Administration's support this year to continue ECI-plus raises provided for by the FY 2000 defense bill, we are deeply disappointed that they would deny a request from DoD to complete the plan to fix the pay of career servicemembers, and we strongly urge this Subcommittee to authorize continued targeting of additional increases for career servicemembers to correct shortcomings in their pay tables.

However, the Coalition does request that DoD outline their plan for targeted raises so that servicemembers, and others who are concerned about military pay, know and understand the objectives of such differential raises. To the extent that targeted raises are needed, the

Department of Defense needs to identify the ultimate "objective pay table" toward which the targeted raises are aimed.

*The Military Coalition believes all members need and deserve at least a 3.5 percent raise in 2005 to continue progress toward eliminating the existing pay raise comparability shortfall. The Coalition also believes additional targeted raises are needed to address the largest comparability shortfalls for career enlisted members and warrant officers vs. private sector workers with similar education, experience and expertise.*

**Commissaries.** The Coalition continues to be very concerned about preserving the value of the commissary benefit—which is widely recognized as the cornerstone of quality of life benefits and a valued part of the servicemembers' total compensation package.

During the past year, the Department of Defense announced plans to close a number of commissaries, replace the traditional three-star officer serving as chairman of the Commissary Operating Board (COB) with a political appointee, and require a study on instituting variable pricing for commissary products. These proposals are apparently intended to save money by reducing the annual appropriation supporting the Defense Commissary Agency (DeCA), which operates 275 commissaries worldwide. The COB recommendation is also viewed as another indicator of DoD's ongoing interest in eventually privatizing the benefit.

The Coalition supports cost savings and effective oversight and management. However, we are concerned about the unrelenting pressure on DeCA to cut spending and squeeze additional efficiencies from its operations—despite years of effective reform initiatives and recognition of the agency for instituting improved business practices.

The Coalition is particularly opposed to the concept of variable pricing, which the Administration acknowledges is aimed at reducing appropriated funding. This can only come at the expense of reducing benefits for patrons.

The commissary is a highly valued quality of life benefit not quantifiable solely on a dollars appropriated basis. As it has in the past, The Military Coalition opposes any efforts to privatize commissaries or reduce benefits to members, and strongly supports full funding of the benefit in FY 2005 and beyond.

*The Military Coalition opposes all privatization and variable-pricing initiatives and strongly supports full or even enhanced funding of the commissary benefit to sustain the current level of service for all patrons, including Guard and Reserve personnel and their families.*

**Family Readiness and Support.** Family readiness is a key concern for the approximately 60 percent of servicemembers with families. Allocating adequate resources for the establishment and maintenance of family readiness and support programs is part of the cost of effectively fulfilling the military mission.

Servicemembers and their families must understand and be aware of benefits and programs available to them and who to contact with questions and concerns—both at the command level and through the respective Service or Department of Defense—in order to effectively cope with the challenges of deployment. It is also important to meet childcare needs of the military

community including Guard and Reserve members who are being called to active duty in ever-increasing numbers.

*The Military Coalition urges improved family readiness through education and outreach programs and increased childcare availability for servicemembers and their families and associated support structure to assist families left behind during deployments of active duty, Guard and Reserve members.*

**Education Benefits for Career Servicemembers.** Career servicemembers who entered active service between 1 January 1977 and 30 June 1985 and declined to enroll in the Veterans Education Assistance Program (VEAP) are the only group of currently serving members (other than service academy graduates and certain ROTC scholarship recipients) who have not been offered an opportunity to enroll in the Montgomery GI Bill (MGIB). There are approximately 90,000 personnel in this situation. Noteworthy is the fact that many were discouraged from signing up for VEAP, as it was acknowledged then to be a woefully inferior program compared to the Vietnam-era GI Bill and the subsequent MGIB that commenced on 1 July 1985. These senior leaders are the backbone of today's force and critical to the success of the war effort and other military operations. When they complete their careers, they should have been afforded at least an opportunity to say "yes or no" to veterans' education benefits under the MGIB.

*The Military Coalition strongly recommends authorizing a MGIB sign-up window for career servicemembers who declined VEAP when they entered service.*

**Basic Allowance for Housing (BAH).** The Military Coalition supports revised housing standards that are more realistic and appropriate for each pay grade. Many enlisted personnel, for example, are unaware of the standards for their respective pay grade and assume that their BAH level is determined by a higher standard than they may in reality be entitled to. This causes confusion about the mismatch between the amount of BAH they receive and the actual cost of their type of housing. As an example, enlisted members are not authorized to receive BAH for a 3-bedroom single-family detached house until achieving the rank of E-9—which represents only one percent of the enlisted force—yet many personnel in more junior pay grades do in fact reside in detached homes. The Coalition believes that as a minimum, this BAH standard (single family detached house) should be extended gradually to qualifying service members beginning in grade E-8 and subsequently to grade E-7 and below over several years as resources allow.

The Coalition is most grateful to the Subcommittee for acting in 1999 to reduce out-of-pocket housing expenses for servicemembers. Responding to the Subcommittee's leadership on this issue, the Department of Defense proposed a similar phased plan to reduce median out of pocket expenses to zero by FY 2005. Through the leadership and support of this Subcommittee, these commitments have been put into law. This aggressive action to better realign BAH rates with actual housing costs is having a real impact and providing immediate relief to many servicemembers and families who were strapped in meeting rising housing and utility costs.

We applaud the Subcommittee's action, and hope that this plan can be completed in 2005. Unfortunately, housing and utility costs continue to rise, and the pay comparability gap, while diminished over recent years thanks to the Subcommittee's leadership, continues. Members residing off base face higher housing expenses along with significant transportation costs, and relief is especially important for junior enlisted personnel living off base who do not qualify for other supplemental assistance.

*The Military Coalition urges the Subcommittee to direct gradual adjustments in grade-based housing standards to more adequately cover members' current out-of-pocket housing expenses and to complete the elimination of average out-of-pocket housing expenses in FY 2005.*

**Permanent Change of Station (PCS).** The Military Coalition is most appreciative of the significant increases in the Temporary Lodging Expense (TLE) allowance authorized for FY 2002 and the authority to raise PCS per diem expenses to match those for federal civilian employees in FY 2003. These are very significant steps to upgrade allowances that had been unchanged in over 15 years. Even with these much-needed changes, however, servicemembers continue to incur significant out-of-pocket costs in complying with government-directed relocation orders.

For example, PCS mileage rates have not been adjusted since 1985. The current rates range from 15 to 20 cents per mile—significantly lower than the temporary duty mileage rate of 37.5 cents per mile for military members and federal civilians. PCS household goods weight allowances were increased for grades E-1 through E-4, effective January 2003, but weight allowance increases are also needed for E5s and above and officers as well, to more accurately reflect the normal accumulation of household goods over the course of a career.

The Coalition also greatly appreciates the provisions in the FY 2004 defense bill to provide full replacement value for household goods lost or damaged by private carriers during government directed moves, and the Coalition looks forward to the timely implementation of the Department of Defense comprehensive "Families First" plan to improve claims procedures for servicemembers and their families.

The overwhelming majority of service families own two privately owned vehicles, driven by the financial need for the spouse to work, or the distance some families must live from an installation and its support services. Authority is needed to ship a second POV at government expense to overseas' accompanied assignments. In many overseas locations, families have difficulty managing without a second family vehicle because family housing is often not co-located with installation support services.

Last, with regard to families making a PCS move, members are authorized time off for housing-hunting trips in advance of PCS relocations, but must make any such trips at personal expense, without any government reimbursement such as federal civilians receive. Further, federal and state cooperation is required to provide unemployment compensation equity for military spouses who are forced to leave jobs due to the servicemember's PCS orders. The Coalition also believes continuation of and adequate funding for the Relocation Assistance Program is essential.

We are sensitive to the Subcommittee's efforts to reduce the frequency of PCS moves. But we cannot avoid requiring members to make regular relocations, with all the attendant disruptions in their children's education and their spouse's career progression. The Coalition believes strongly that the Nation that requires them to incur these disruptions should not be requiring them to bear the resulting high expenses out of their own pockets.



*The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances in FY 2005 to recognize that the government, not the servicemember, should be responsible for paying the cost of government-directed relocations.*

**Basic Allowance for Subsistence (BAS).** The Coalition is grateful to the Subcommittee for establishing a food-cost-based standard for BAS and ending the one percent cap on BAS increases. But more needs to be done to permit single career enlisted members more individual responsibility in their personal living arrangements. In this regard, the Coalition believes it is inconsistent to demand significant supervisory, leadership and management responsibilities of noncommissioned and petty officers, but still dictate to them where and when they must eat their meals while at their home duty station.

*The Military Coalition urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12 percent of single members residing in government quarters. As a long-term goal, the Coalition supports extending full BAS eligibility to all single career enlisted members, beginning with the grade of E-6 and extending eligibility to lower grades as budgetary constraints allow.*

### NATIONAL GUARD AND RESERVE ISSUES

The Military Coalition applauds the longstanding efforts of this Subcommittee to address the needs of our Nation's National Guard and Reserve forces, to facilitate the Total Force concept as an operational reality, and to ensure that National Guard and Reserve members receive appropriate recognition as full members of the armed forces readiness team.

**Support of Active Duty Operations.** Since September 11, 2001 more than 350,000 members of the National Guard and Reserve have been mobilized and many thousands more are in the activation pipeline. Today, they face all the same challenges as their active counterparts, with a deployment pace greater than any time since World War II.

Guard/Reserve operational tempo has placed enormous strains on employers and family members alike. Employer support was always strong when National Guard and Reserve members were seen as a force that would be mobilized only in the event of a major national emergency. That support has become less and less certain as National Guard and Reserve members have taken longer and more frequent leaves of absence from their civilian jobs. Homeland defense and war-on-terror operations continue to place demands on citizen soldiers that were never anticipated under the Total Force Policy.

The Coalition understands and fully supports that policy and the prominent role of the National Guard and Reserve forces in the national security equation. Still, we are concerned that ever-rising operational employment of these forces is having the practical effect of blurring the distinctions between the missions of the active and National Guard/Reserve forces. National Guard and Reserve members will likely face stiff resistance with employers and increased financial burdens under the current policy of multiple activations over the course of a reserve career. Some senior reserve leaders are in fact alarmed over likely manpower losses if action is not taken to relieve pressures on Guard and Reserve troops.

*The Military Coalition strongly urges immediate attention to the looming crisis that is placing unprecedented stress on National Guard and Reserve manpower and missions.*

**Healthcare for Members of the National Guard and Reserve.** The Military Coalition is most appreciative to Congress for ensuring that the Temporary Reserve Health Care Program was included in the FY 2004 National Defense Authorization Act. This program will provide temporary coverage, until December 2004, for National Guard and Reserve members who are uninsured or do not have employer-sponsored health care coverage. TRICARE officials plan to build on existing TRICARE mechanisms to expedite implementation; however, no one is certain how long this will take. Immediate implementation is required.

***The Military Coalition recommends permanent authorization of cost-share access to TRICARE to support readiness, family morale, and deployment health preparedness for Guard and Reserve servicemembers.***

Health insurance coverage varies widely for members of the Guard and Reserve: some have coverage through private employers, others through the Federal government, and still others have no coverage. Reserve families with employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Guard and Reserve family members are eligible for TRICARE if the member's orders to active duty are for more than thirty days; but, many of these families would prefer to preserve the continuity of their health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting. Many Guard and Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE patients. Recognizing these challenges for its own reservist-employees, the Department of Defense routinely pays the premiums for the Federal Employee Health Benefit Program (FEHBP) when activation occurs. This benefit, however, only affects about ten percent of the Selected Reserve.

***The Military Coalition urges the authority for federal payment of civilian health care premiums (up to the TRICARE limit) as an option for mobilized service members.***

Dental readiness is another key aspect of readiness for Guard and Reserve personnel. Currently, DoD offers a dental program to Selected Reserve members and their families. The program provides diagnostic and preventive care for a monthly premium, and other services including restorative, endodontic, periodontic and oral surgery services on a cost-share basis, with an annual maximum payment of \$1,200 per enrollee per year. However, only five percent of eligible members are enrolled.

During this mobilization, soldiers with repairable dental problems were having teeth pulled at mobilization stations in the interests of time and money instead of having the proper dental care administered. Congress responded by passing legislation that allows DoD to provide medical and dental screening for Selected Reserve members who are assigned to a unit that has been alerted for mobilization in support of an operational mission, contingency operation, national emergency, or war. Unfortunately, waiting for an alert to begin screening is too late. During the initial mobilization for Operation Iraqi Freedom, the average time from alert to mobilization was less than 14 days, insufficient to address deployment dental standards. In some cases, units were mobilized before receiving their alert orders. This lack of notice for mobilization continues, with many reservists receiving only days of notice before mobilizing.

***The Military Coalition recommends expansion of the TRICARE Dental Plan benefits for***

***Guard and Reserve servicemembers. This would allow all National Guard and Reserve members to maintain dental readiness and alleviate the need for dental care during training or mobilization.***

**Reserve Retirement Upgrade.** The fundamental assumption for the Reserve retirement system established in 1947 is that a Reservist has a primary career in the civilian sector. But it's past time to recognize that greatly increased military service demands over the last dozen years have cost tens of thousands of Reservists significantly in terms of their civilian retirement accrual, civilian 401(k) contributions, and civilian job promotions.

The Defense Department routinely relies upon the capabilities of the reserve forces across the entire spectrum of conflict from homeland security to overseas deployments and ground combat. This reliance is not just a trend—it's a central fixture in the national security strategy. Since September 11, 2001 more than 350,000 reserve component servicemembers have been called to extended active duty. That represents almost 40 percent of the "drilling" reserve force structure—those assigned to military positions and training regularly. And these activations are expected to continue, absent a significant adjustment either in mission allocation or end strength. The Defense Department, however, has shown little interest in reducing the burden on the reserve forces. Inevitably, civilian career potential and retirement plans will be hurt by frequent and lengthy activations.

The time has come to recognize the reserve retirement system as a complement, rather than a supplement to civilian retirement programs. Failing to acknowledge and respond to the changed environment could have far-reaching, catastrophic effects on reserve participation and career retention.

***The Military Coalition urges a reduction in the age when a Guard/Reserve component member is eligible for retired pay to age 55 as an option for those who qualify for a non-regular retirement.***

**Selected Reserve Montgomery GI Bill (SR-MGIB) Improvements.** Individuals who first become members of the National Guard or Reserve are eligible for the Selected Reserve Montgomery GI Bill (SR-MGIB).

Unlike the basic MGIB (Chapter 30, Title 38), Chapter 1606 of Title 10 governs the Reserve GI Bill program. The problem is that the Reserve SR-MGIB program competes with National Guard and Reserve pay accounts for funding. During the first fourteen years of the SR-MGIB, benefits maintained 47 percent comparability with the basic MGIB. But, in the last five years, the SR-MGIB has slipped to 29 percent of the basic program. This occurred at a time when the Guard and Reserve have been mobilized and deployed unlike any time since World War II. The Coalition believes that total force equity requires proportional adjustments to the SR-MGIB whenever benefits rise under the regular MGIB. One way to facilitate this objective is to transfer basic funding authority for "chapter 1606" (10 USC) benefits program to Title 38.

***The Military Coalition recommends a three-phased increase in SR- MGIB benefits to restore it to its original value at 47 percent of the MGIB rate. The Coalition also recommends transfer of the Reserve SR-MGIB authority from Title 10 to Title 38 to permit proportional benefit adjustments in the future.***



**Guard/Reserve Family Support Programs.** Guard and Reserve families have been called upon to make more and more sacrifices as Operations Iraqi Freedom and Enduring Freedom continue. These families represent communities throughout the Nation—and most of these communities are not close to military installations. As a result, these families members face unique challenges since they do not have access to traditional family support services that their active duty counterparts have on military installations.

Providing a core set of family programs, not bound by geographic location, would help these families meet these challenges. While many programs are already in place, there is a need for uniform availability of these programs to all reserve component families. These programs include, but are not limited to: state and regional family assistance centers; a responsive and flexible child care system to meet the unique needs of reserve families; a family support structure that recognizes that reserve families do not have much experience with military life and need more information about the services available to them and how to access the various support systems; and, finally, funding for staffing since volunteers have been providing these support services, many of them experiencing similar difficulties with their sponsors deployed.

We applaud the support shown to families by community organizations like the American Red Cross, the American Legion, the VFW and local Chambers of Commerce. But with the continued and sustained activation of the Reserve Component, a stronger support structure needs to be implemented and sustained.

*The Military Coalition urges that adequate funding be made available for a core set of family support programs and benefits that meet the unique needs of Guard and Reserve component families.*

**Retirement Credit for All Earned Drill Points.** The role of the National Guard and Reserve has changed significantly under the Total Force Policy. During most of the Cold War era, the maximum number of inactive duty training (IDT) points that could be credited was 50 per year. The cap has since been raised on three occasions to 60, 75 and most recently, to 90 points.

However, the fundamental question is why National Guard and Reserve members are not permitted to credit all the inactive duty training (IDT) that they've earned in a given year towards their retirement. The typical member of the National Guard and Reserve consistently earns IDT points above the 90-point maximum. Placing a ceiling on the amount of training that may be credited for retirement serves as a disincentive to professional development and takes unfair advantage of National Guard and Reserve servicemembers' commitment to mission readiness.

*The Military Coalition recommends lifting the 90-point cap on the number of Inactive Duty Training (IDT) points earned in a year that may be credited for National Guard and Reserve retirement purposes.*

### **SURVIVOR PROGRAM ISSUES**

The Coalition thanks the Subcommittee for past support of improvements to the Survivor Benefit Plan (SBP) including the provision in the FY 2002 Defense Authorization Act that extended SBP eligibility to members who die on active duty, regardless of years of service, and the FY 2004 provision that improved election options for these survivors. These actions helped a great deal in addressing a long-standing survivor benefits disparity.



But very serious SBP inequities remain to be addressed. The Coalition hopes that this year the Subcommittee will be able to support, at the very least, an increase in the minimum SBP annuity for survivor's age 62 and older.

**Age-62 SBP Annuity Increase.** Since SBP was first enacted in 1972, retirees and survivors have inundated DoD, Congress and military associations with letters decrying the reduction in survivors' SBP annuities that occurs when the survivor attains age-62. Before age-62, SBP survivors receive an annuity equal to 55 percent of the retiree's SBP covered retired pay. At age-62, the annuity is reduced to a lower percentage, down to a floor of 35 percent of covered retired pay. For many older retirees, the amount of the reduction is related to the amount of the survivor's Social Security benefit that is attributable to the retiree's military service. For members who attained retirement eligibility after 1985, the post-62 benefit is a flat 35 percent of covered retired pay.

Although this age-62 reduction, or offset, was part of the initial SBP statute, large numbers of members who retired in the 1970s (or who retired earlier but enrolled in the initial SBP open season) were not informed of it at the time they enrolled. This is because the initial informational materials used by DoD and the Services to describe the program made no mention of the age-62 offset. Thousands of retirees signed up for the program in the belief that they were ensuring their spouses would receive 55 percent of their retired pay for life. Many retirees who are elderly and in failing health, with few other insurance alternatives available at a reasonable cost, are understandably very bitter about what they consider the government's "bait and switch" tactics.

They and their spouses are also stunned to learn that the survivor reduction attributed to the retiree's Social Security-covered military earnings applies even to widows whose Social Security benefit is based on their own work history.

To add to these grievances, the originally intended 40 percent government subsidy for the SBP program—which has been cited for more than two decades as an inducement for retirees to elect SBP coverage—has declined to less 19 percent. This is because retiree premiums were established in statute in the expectation that retiree premiums would cover 60 percent of expected long-term SBP costs, based on the DoD Actuary's assumptions about future inflation rates, interest rates, and mortality rates. However, actual experience has proven these assumptions far too conservative, so that retiree premiums now cover 81 percent of expected SBP benefit costs. In effect, retirees are being charged too much for the long-promised benefit, and the government is contributing less to the program than Congress originally intended.

This is not the first time the subsidy has needed to be addressed. After the subsidy had declined below 28 percent in the late 1980s, Congress acted to restore the balance by reducing retiree premiums. Now that the situation is far worse, the Coalition believes strongly that the balance should be restored this time by raising the benefit for survivors.

The chart below highlights another significant inequity—the much higher survivor annuity percentage and subsidy percentage the government awards to federal civilian (including Members of Congress) survivors compared to their military counterparts.

**Federal Civilian vs. Military SBP Annuity and Subsidy**

	<u>CSRS*</u>	<u>FERS**</u>	<u>Military</u>
Post-62 % Of Ret Pay	55%	50%	35%
Gov't Subsidy	48%	33%	19%

\*Civil Service Retirement System

\*\*Federal Employees Retirement System

Because servicemembers retire at younger ages than federal civilians, retired servicemembers pay premiums for a much longer period. The combination of greater premium payments and lower age-62 benefits leave military retirees with a less advantageous premium-to-benefit ratio—and therefore a far lower federal survivor benefit subsidy than their retired federal civilian counterparts.

The FY 2001 Defense Authorization Act included a “Sense of Congress” provision specifying that legislation should be enacted to increase the SBP age-62 annuity to “reduce and eventually eliminate” the different levels of annuities for survivors age-62 and older versus those for younger survivors. But that statement of support remains to be translated into substantive relief.

The Military Coalition strongly supports legislation sponsored by Sen. Mary Landrieu and Rep. Jeff Miller (S. 1916 and H.R. 3763, respectively) that, if enacted, would eliminate the disparity over a ten year period—raising the minimum SBP annuity to 40 percent of SBP-covered retired pay on October 1, 2005; to 45 percent in 2008; and to 55 percent in 2014.

We appreciate only too well the cost and other challenges associated with such mandatory spending initiatives, and believe this incremental approach offers a reasonable balance between the need to restore equity and the need for fiscal discipline. The cost could be partially offset by authorizing an open enrollment season to allow currently non-participating retirees to enroll in the enhanced program, with a late-enrollment penalty tied to the length of time since they retired. A similar system was used with the last major program change in 1991.

*The Military Coalition strongly recommends elimination of the age-62 Survivor Benefit Plan annuity reduction. To the extent that immediate implementation may be constrained by fiscal limitations, the Coalition urges enactment of a phased annuity increase as envisioned in S. 1916 and H.R. 3763.*

**30-Year Paid-Up SBP.** Congress approved a provision in the FY 1999 Defense Authorization Act authorizing retired members who had attained age-70 and paid SBP premiums for at least 30 years to enter “paid-up SBP” status, whereby they would stop paying any further premiums while retaining full SBP coverage for their survivors in the event of their death. Because of cost considerations, the effective date of the provision was delayed until October 1, 2008.

As a practical matter, this means that any SBP enrollee who retired on or after October 1, 1978 will enjoy the full benefit of the 30-year paid-up SBP provision. However, members who enrolled in SBP when it first became available in 1972 (and who have already been charged

higher premiums than subsequent retirees) will have to continue paying premiums for up to 36 years to secure paid-up coverage.

The Military Coalition is very concerned about the delayed effective date, because the paid-up SBP proposal was initially conceived as a way to grant relief to those who have paid SBP premiums from the beginning. Many of these members entered the program when it was far less advantageous and when premiums represented a significantly higher percentage of retired pay. In partial recognition of this problem, SBP premiums were reduced substantially in 1991, but these older members still paid the higher premiums for up to 18 years. The Coalition believes strongly that their many years of higher payments warrant at least equal treatment under the paid-up SBP option, rather than forcing them to wait five more years for relief, or as many retirees believe, waiting for them to die off.

*The Military Coalition recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2004.*

**SBP-DIC Offset.** Currently, SBP survivors whose sponsors died of service-connected causes have their SBP annuities reduced by the amount of Dependency and Indemnity Compensation payable by the VA.

The Coalition believes this offset is not appropriate, because the SBP and DIC programs serve distinct purposes. SBP is a retiree-purchased program, which any retiring member can purchase to provide the survivor a portion of his or her retirement. DIC, on the other hand, is special indemnity compensation to the survivor of a member whose service caused his or her death. The Coalition believes strongly that the government owes extra compensation ("double indemnity compensation," in essence, rather than "substitute compensation") in cases in which the member's death was caused by his or her service.

Although the survivor whose SBP is reduced now receives a pro-rata rebate of SBP premiums, the survivor needs the annuity, not the premium refund. Award of DIC should not reduce award of SBP any more than it reduces payment of SGLI life insurance benefit.

*The Military Coalition recommends eliminating the DIC offset to Survivor Benefit Plan annuities, recognizing that the two compensations serve different purposes, and one is not substitutable for the other.*

## RETIREMENT ISSUES

The Military Coalition is grateful to the Subcommittee for its historical support of maintaining a strong military retirement system to help offset the extraordinary demands and sacrifices inherent in a career of uniformed service.

**Concurrent Receipt of Military Retired Pay and VA Disability Compensation.** The Military Coalition applauds Congress for the landmark provisions in the FY 2004 National Defense Authorization Act that expand combat related special compensation to all retirees with combat-related disabilities and authorizes—for the first time ever—the unconditional concurrent receipt of retired pay and veterans' disability compensation for retirees with disabilities of at least 50 percent. Disabled retirees everywhere are extremely grateful for this Subcommittee's action to reverse an unfair practice that has disadvantaged disabled retirees for over a century.



While last year's concurrent receipt provisions will benefit tens of thousands of disabled retirees, an equal number were left behind. The fiscal challenge notwithstanding, the principle behind eliminating the disability offset for those with disabilities of 50 percent is just as valid for those with 40 percent and below and the Coalition urges the Subcommittee to extend this principle to the thousands of disabled retirees who were left out of last year's legislation.

We understand that a significant concern among some critics that prevented broader concurrent receipt action was the need for a review of the VA disability system. The Coalition believes much of the concern is misplaced, and that the VA system should be able to withstand reasonable scrutiny. The Coalition stands ready to assist the Veterans' Disability Benefits Commission and participate in the debate with relevant information and data affecting a full spectrum of disabled veterans and their families and survivors. Most importantly, the Coalition urges the Subcommittee to ensure that the Commission remains focused on the fundamental principles that have served as the foundation for both the DoD disability retirement and VA disability compensation processes—principles of fairness, due process, and the unique aspect that military duty is 24/7. We look forward to completion of the review and revalidation of the process as important steps toward resolving concurrent receipt inequity.

*The Military Coalition urges Subcommittee leaders and members to be sensitive to the need for further adjustments to last year's concurrent receipt provision and to eliminate the disability offset for all disabled retirees. As a priority, the Coalition urges the Subcommittee to ensure the Veterans' Disability Benefits Commission protects the principles guiding the DoD disability retirement program and VA disability compensation system.*

**Final Retired Pay Check.** The Military Coalition believes the policy requiring the recovery of a deceased member's final retired pay check from his or her survivor should be changed to allow the survivor to keep the final month's retired pay payment.

Current regulations led to a practice that requires the survivor to surrender the final month of retired pay, either by returning the outstanding paycheck or having a direct withdrawal recoupment from his or her bank account. The Coalition believes this is an insensitive policy coming at the most difficult time for a deceased member's next of kin. Unlike his or her active duty counterpart, the retiree will receive no death gratuity. Many of the older retirees will not have adequate insurance to provide even a moderate financial cushion for surviving spouses. Very often, the surviving spouse has had to spend the final retirement check/deposit before being notified by the military finance center that it must be returned. Then, to receive the partial month's pay of the deceased retiree up to the date of death, the spouse must file a claim for settlement—an arduous and frustrating task, at best—and wait for the military's finance center to disburse the payment. Far too often, this strains the surviving spouse's ability to meet the immediate financial obligations commensurate with the death of the average family's "bread winner."

*The Military Coalition strongly recommends that surviving spouses of deceased retired members should be allowed to retain the member's full retired pay for the month in which the member died.*

**Former Spouse Issues.** The Military Coalition recommends corrective legislation be enacted to eliminate inequities in the Uniformed Services Former Spouse Protection Act (USFSPA) that



were created through years of well-intended, piecemeal legislative action initiated outside the Subcommittee.

The Coalition supports the recommendations in the Department of Defense's September 2001 report, which responded to a request from this committee for an assessment of USFSPA inequities and recommendations for improvement. The DoD recommendations to allow the member to designate multiple survivor benefit plan beneficiaries would eliminate the current unfair restriction that denies any SBP coverage to a current spouse if a former spouse is covered, and would allow dual coverage in the same way authorized by federal civilian SBP programs. The Coalition also recommends that the Defense Finance and Accounting Service (DFAS) be required to make direct payments to the former spouses, regardless of length of marriage; the one-year deemed election period for SBP eligibility be eliminated; if directed by a valid court order, DFAS should be required to deduct SBP premiums from the uniformed services retired pay awarded to a former spouse; and DFAS should be authorized to garnish ordered, unpaid child support payments from the former spouse's share of retired pay. Also, DoD recommends that prospective award amounts to former spouses should be based on the member's grade and years of service at the time of divorce—rather than at the time of retirement. The Coalition supports this proposal since it recognizes that a former spouse should not receive increased retired pay that is realized from the member's service and promotions earned after the divorce.

The Coalition believes that, at a minimum, the Subcommittee should approve those initiatives that have the consensus of the military and veterans' associations, including the National Military Family Association. The Coalition would be pleased to work with the Subcommittee to identify and seek consensus on other measures to ensure equity for both servicemembers and former spouses.

*The Military Coalition recommends corrective legislation be enacted to eliminate the inequities in the administration of the Uniformed Services Former Spouse Protection Act (USFSPA), to include consideration of the recommendations made by the Department of Defense in their 2001 USFSPA report.*

**Tax Relief for Uniformed Services Beneficiaries.** To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance programs, such as TRICARE supplements, the active duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 percent of their adjusted gross taxable income, as required by the IRS.

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 Presidential directive allowing federal civilian employees to pay premiums for their Federal Employees Health Benefits Program (FEHBP) coverage with pre-tax dollars.

The Coalition supports legislation that would amend the tax law to let Federal civilian retirees and active duty and retired military members pay health insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the Subcommittee will lend its support to this legislation and help ensure equal treatment for all military and federal beneficiaries.

*The Coalition urges the Subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums or enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRICARE Retiree Dental Plan, FEHBP and Long Term Care.*

#### CONCLUSION

The Military Coalition reiterates its profound gratitude for the extraordinary progress this Subcommittee has made in securing a wide range of personnel and health care initiatives for all uniformed services personnel and their families and survivors. The Coalition is eager to work with the Subcommittee in pursuit of these goals outline in our testimony.

Thank you very much for the opportunity to present the Coalition's views on these critically important topics.



**STATEMENT  
BY  
CMSGT (RET.) JAMES E. LOKOVIC  
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AIR FORCE SERGEANTS ASSOCIATION**

**FOR THE  
HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE**

**FY 2005 NATIONAL DEFENSE AUTHORIZATION  
ACT BUDGET REQUEST**

**"MILITARY PERSONNEL POLICY, BENEFITS, AND  
COMPENSATION OVERVIEW"**

**MARCH 24, 2004**

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**\*\* A participating organization in The Military Coalition \*\***



NOT FOR PUBLICATION UNTIL RELEASED BY THE HOUSE ARMED SERVICES  
COMMITTEE

CURRICULUM VITAE

CMSgt (Retired) James E. Lokovic is the Deputy Executive Director and the Director of Military and Government Relations for the Air Force Sergeants Association. Chief Lokovic works for the Executive Director and is the association's primary liaison with Congress, the administration, the military services, and other military and veteran associations—in carrying out the association's chartered mission to protect and enhance the quality-of-life benefits for military members and their families. Chief Lokovic served 25 years in the United States Air Force at numerous stateside and overseas locations. His last assignment was on the Air Staff as the Chief of Enlisted Professional Military Education. He has worked for the association since January 1994.

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Air Force Sergeants Association (AFSA) does not currently receive, nor has the association ever received, any federal money for grants or contracts. All of the association's activities and services are accomplished completely free of any federal funding.





Mr. Chairman and distinguished committee members, on behalf of the 135,000 members of the Air Force Sergeants Association, thank you for this opportunity to offer the views of our members on the military personnel programs that affect those serving (and who have served) our nation. AFSA represents active duty, Guard, Reserve, retired, and veteran enlisted Air Force members and their families. Your continuing effort toward improving the quality of their lives has made a real difference, and our members are grateful. Listed below are several specific goals that we hope this committee will pursue for FY 2005 on behalf of current and past enlisted members and their families. As always, we are prepared to present more details and to discuss these issues with your staffs. This presentation includes many items reflecting the communication we receive from our members, and it offers an insight into perceived inequities within the military compensation program.

## **MILITARY PAY AND COMPENSATION**

Enlisted military members receive lower pay and lower allowances for food and housing. To put it simply, enlisted members are paid the least in basic pay, and are expected to spend less for their food and to house their families. Of course, this simply means they will have to spend more "out of pocket" to protect their families. Obviously, enlisted members want no less than commissioned officers for their families to live in good neighborhoods and to attend good schools. So, enlisted members are forced to make this happen by spending more of their basic pay—because their allowances are inadequate. We urge this committee to work toward more equitable compensation/allowance levels for enlisted members, with emphasis on targeted increases for senior NCOs to more fairly compensate them for their responsibilities and the military jobs they do for their nation. Some specific areas that we hope the committee will examine:

- ***Provide Hazardous Duty Incentive Pay (HDIP) for military firefighters.*** All services have reached agreement on this and are ready to support and fund it. The committee can easily verify this through military legislative liaison contacts and through service leadership. AFSA believes this pay is long overdue for these military servicemembers who serve under incredible risk—even during peacetime. If any military occupational specialty should receive HDIP, military firefighters should receive it. It would cost \$9.3 million per year to provide this funding for all services. It is strongly endorsed by this association and by the associations in the Military Coalition. *We urge the committee to make this happen—this year.*
- ***Reform military pay to more equitably reflect enlisted responsibilities*** in relation to the overall Air Force mission. Further targeting is warranted.
- ***Make the recent increases in Family Separation Allowance (\$250), and Imminent Danger Pay (\$225) permanent.*** These levels are reasonable and more reflective of the financial burdens of those serving and those left at home.

- ***Provide Assignment Incentive Pay to those stationed in Korea.*** We often speak of the imminent danger posed by the North Koreans and how the troops stationed there are at the "tip of the spear," forming the front lines of our defenses. These brave men and women should receive some type of special pay or tax advantage. Perhaps the answer is to mandate an amount of the Assignment Incentive Pay signed into law during the 107th Congress.
- ***Establish a standard, minimum reenlistment bonus*** at the time of reenlistment for all enlisted members regardless of component, time-in-service, or AFSC. We often hear from our members that it is demotivating that subordinates often receive bonuses, while those who lead them do not. In fact, such bonuses are generally not offered after the 15th year of service. While we realize that such bonuses are nothing more than force manipulation tools, it would be proper to provide some level of bonus each time a military member commits to put his/her life on the line for an additional extended period of military service.
- ***Reform the Basic Allowance for Housing survey methodology.*** AFSA believes that equity would dictate an increase in the *enlisted* square-footage and dwelling-type (by rank) standard used to determine the formula for the Basic Allowance for Housing (BAH). The square-footage basis used to determine which properties are included in the BAH "surveys" is progressively smaller for the lower enlisted ranks. The square footage is based on rank, not family size. In fact, the only enlisted rank that is based on a stand-alone dwelling is an E-9 (Air Force Chief Master Sergeant). Obviously, the kind of housing supported by the BAH allocated to junior enlisted members is the type that does not increase in value as fast as the rest of the housing market. The result is that higher ranking members, who get higher square-footage allocations enjoy the greatest increases in BAH when the surveys are next taken. This is unfair, and AFSA asks the committee to mandate a study to provide equitable housing amounts for enlisted members.
- ***Allow wing commanders significant latitude in shaping the BAH surveys*** to (1) exclude nondesirable local housing areas from the survey, and (2) determine the inclusive survey "catchment" area(s) to reflect where base personnel actually reside. Commanders know where their people seek housing, do their shopping, etc. They also know where they (the commander) would not want their people to live. Commanders should have a big say in determining the "catchment area" to be used in the surveys that determine BAH levels. This is especially critical when bases and posts are located in more rural areas.

## EDUCATIONAL BENEFITS

While a number of issues must be addressed in relation to the Montgomery G.I. Bill, we realize they do not specifically fall under the jurisdiction of this committee. However, it is imperative that those (from that era) who did not enroll in the old Veterans Educational Assistance Plan get an opportunity to enroll in the Montgomery G.I. Bill. Many are now retiring after devoting a career of military service, yet they have no transitional education benefit. Additionally, military members give more than enough to this nation that they *should not have to pay \$1,200* into the Montgomery G.I. Bill in order to use it. Members ought to be able to transfer their G.I. Bill benefits to their family members—perhaps as a career incentive (e.g., after serving 12 or 14 years). The 10-year benefit limitation after separation needs to be repealed; it is unfair to enlisted members and serves no purpose other than to discourage use of this important benefit. We ask that you influence these MGIB changes. However, below are listed issues which are directly under this committee's jurisdiction. We ask you to consider them in your deliberations for the FY 2005 NDAA:

- *Provide military members and their families in-state tuition rates* at federally supported state colleges and universities—immediately upon arrival at the gaining station. Military members are moved around the country at the pleasure of the government. *In that sense, they are residents of every state while they are serving.* We urge this committee to exert its influence to allow servicemembers to be considered in-state residents for the purpose of the costs associated with educating themselves and their families.
- *Eliminate any service Tuition Assistance caps.* As military members increase their education levels, they are able to progressively increase their contribution to the mission. As has often been said, every dollar this nation spends on education returns many fold in the contribution the more-educated citizen (military member) makes to society and the U.S. economy.
- *Ensure full funding of the Impact Aid Program.* This committee is forced to address the Impact Aid issue each year. It has had to do so regardless of the Administration in power. In order to protect the families (especially the children) of military members, we ask you to continue your great work in providing Impact Aid funding.
- *Enhance the Selected Reserve Montgomery G.I. Bill (SR-MGIB) benefit.* AFSA asks this committee to increase the value of the SR-MGIB to ensure it measures up to 47 percent of the value of the active duty MGIB. This was the congressional intent when the SR-MGIB began. At the present time, the SR-MGIB is only worth 27 or 28 percent of the MGIB. We ask you to support increasing the value of the SR-MGIB and establishing an automatic indexing with the active duty

program. Additionally, we ask you to allow Guardsmen and Reservists to use the SR-MGIB beyond the current 14-year duration of the program. They should be able to use the program during their time of service and for a reasonable period after they have completed their military obligation.

## AIR NATIONAL GUARD AND AIR FORCE RESERVE

The role of the Guard and Reserve (G&R) has increased dramatically. Our military establishment simply could not execute the War on Terrorism nor this nation's worldwide military operations without the direct participation of G&R members. We learned much after 9-11 as mobilization took place and as G&R members were increasingly deployed. The following initiatives have been called for by AFSA members. Many of these are equity issues. AFSA believes that each of the items is the right thing to do.

- ***Reduce the earliest G&R retirement age from 60 to 55.*** It is simply wrong that these patriots are the only federal retirees that have to wait until age 60 to fully enjoy retirement benefits. While we realize that DoD considers this a budgetary burden, it is the right thing to do. Additionally, it would allow for greater movement from rank-to-rank. Remember, most G&R promotions are by vacancy. While there are many bills on the table (many inspired by budgetary considerations rather than doing the right thing), we urge this committee to fully support H.R. 742, sponsored by Congressman Jim Saxton. That bill would provide full retirement benefits as early as age 55.
- ***Expand Section 635 of Public Law 108-136 (FY 2004 NDAA) to include periods of authorized pass.*** This section was a very important accomplishment in the first session of the 108<sup>th</sup> Congress. However, it did not go far enough. It amended Chapter 7 of Title 37 by inserting section 404b—an adjustment to authorize billeting funding for periods of authorized leave. However, it *did not* cover the cost of billeting during a period of *normal, authorized pass*. It is during these pass periods that a deployed member is most likely going to return home to check on the wife/husband and kids and to ensure the quality of life of those who the military member left behind. Accordingly, we ask this committee to amend Section 404b, paragraph (a) to change the final words of the paragraph from “*while the member is in authorized leave status*” to read “*while the member is in authorized leave or pass status.*” We urge the committee to make this simple adjustment—one, however, that will be of great benefit to those serving our nation.
- ***Provide full (not fractioned) payment of flying, hazardous duty, and other special pays; i.e., eliminate “1/30” rules.*** These “fractioned” allowances are wrong. They denigrate the service and the risk faced by members of the Guard



and Reserve. We ask the committee to pay these important "risk-based" allowances on the same basis for G&R members as they are paid for active duty members.

- *Make all Air Reserve Technicians eligible for an unreduced retirement at age 50 with 20 years of service, or at any age with 25 years of service, if honorably, involuntarily separated.* Due to the unique employment status of these servicemembers, this change would be equitable in relation to other federal employees.
- *Eliminate the annual cap on inactive duty training points creditable for retirement.* These points are currently capped at 90 points per year. However, it would be equitable to base a member's retirement on the amount of service performed. As such we ask that the cap be eliminated or, as a step toward that end, increased.
- *Provide BAH "Type 1" to all G&R members TDY or activate, including those activated or TDY for less than 139 days.* Unlike an active duty member, G&R members typically have civilian employment and always return to their residence upon completion of military duty. Their house payment does not go away. Providing full BAH to deployed G&R members would allow them to adequately protect their investment in their homes and the financial wellbeing of their families, if applicable.
- *Provide G&R First Sergeants and Command Chief Master Sergeants with full, special duty assignment pay on the same basis it is paid to active duty members.* Like active duty members, the extraordinary duties and expenses of these two groups of leaders does not take place only during duty hours. G&R First Sergeants and Command Chiefs have duties throughout the month (whether they are "officially" on duty or not). For that reason, equity would call for this special pay to be paid on the same basis as it is for active duty duty enlisted leaders.

## RETIREMENT BENEFITS

AFSA applauds this committee for its support of the partial resolution to the Concurrent Receipt issue included in Section 641 of the FY 2004 NDAA and the expansion of Combat-Related Special Compensation under Section 642. Despite the specter of a veto threat throughout the year and intense political wrangling, in the end the right thing was done. The principle has now been established in law. Congress has recognized that retirees who are disabled by their military service should be allowed to collect the full retirement pay they earned through long-term honorable service to the nation. They also ought to receive just compensation for maladies caused by military service—injuries that

will have an impact on their employability and their quality of life during their remaining days on Earth. Now, AFSA urges that the effort shift toward restoring military retired pay for those with disabilities of 40 percent and lower.

AFSA is concerned about the "blue ribbon panel" set up as part of that legislation. Its goal is stated to assess the VA's disability system to ensure that the disability compensation for damage done by military service is being paid properly. While we applaud that goal, we note that distinguished combat veterans with Silver Stars and above are included on the board. While we greatly honor these individuals, we would hope that those selected have some expertise in the area of disabilities caused by other than direct combat. Otherwise, the perception may well be that the board is geared toward combat-related disabilities only. In the veterans' community, we have seen an ever-growing distrust of the government's dedication toward veterans. This has been fueled by attempted budget reductions and attempts to solve VA budget problems by "redefining" those who are eligible for treatment. In this case, the suspicion is that the goal is to eventually restrict military disability payments to those related only to combat, and to exclude or reduce those paid for damages done through peacetime military service. AFSA does not share that view, but will watch the proceedings of the board very closely.

- ***Restore full military retirement pay for all military retirees*** receiving VA service-connected disability compensation. We ask the committee to set a timetable to address this important issue for those with VA disability ratings of 40 percent and lower.
- ***Repeal the Uniformed Services Former Spouse Protection Act (USFSPA).*** It is wrong that a separate law exists to deal with military divorces. It is wrong that these cases are not treated on a case-by-case basis as for other citizens. In practice, it has become automatic: any person divorced from a military member will get 2.5 percent of the military members eventual retirement pay for each year that the marriage endured. Keep in mind that many of these marriages are of short duration, and many divorces occur during the first two or three years of a military marriage. But that doesn't matter because when the military member retires a quarter of a century later, the USFSPA dictates that the former spouse has a claim to part of that retired pay. That is just, plain wrong! Whereas it takes a military member 20 years to earn a retirement annuity, anyone once married to the military member will have an annuity for life simply because they "married military." ***At a minimum, the provisions of H.R. 1111 need to be enacted.*** A former spouse of a military member should not be given part of the retirement if the former spouse remarries. If "given" part of the member's retirement pay, it should be for no longer than they were married to the military member. Also, the amount the former spouse receives should be prorated based on the military member's pay at time of divorce—not the member's pay many years later when they retire. AFSA urges this committee to simply be fair. We ask you to take action so that military

members who have enough love of nation to devote a good part of their mortal existence to military service be treated fairly. *It is time to stop avoiding the issue because it is "too messy."* To take not action in this regard, makes a clear statement of how government leaders actually view those who serve.

## MILITARY STORES

While these programs have been examined in previous hearings, we must restate the importance of these benefits. We urge this committee to continue to resist DoD efforts to reduce the budgets or significantly change the value of these programs.

- ***Resist variable pricing at commissaries.*** This important non-pay benefit is *not broken* and has been effectively shaped over the years by this committee. Commissaries, using the cost-plus-five-percent pricing method, provide wonderful savings to beneficiaries. Current DoD efforts to implement variable pricing are nothing more than attempts to reduce the \$1.2 billion annual appropriation—one that this committee has said is well worth the investment. I must note that in real terms (whether considering inflation or the commissary subsidy as a part of the overall defense appropriation) this subsidy has actually gone down since DeCA began operating in 1991. AFSA views as insincere DoD's claims that variable pricing should be used as a tool to "equalize" the benefit for all beneficiaries. We urge this committee to continue to protect this important benefit. We must also note that *many military members have closely watched recent DoD statements and efforts and are convinced that DoD does not appreciate the commissaries, does not believe it should administer them, and is working relentlessly toward eliminating them.*
- ***Resist exchange consolidation efforts until compelling justification is demonstrated.*** DoD has decided to consolidate the military exchanges into one entity; their effort is a "fast moving train," keeping people informed but seriously accepting little advisory input. This consolidation would take place regardless of the fact that the system is "not broke" and that an incredible amount of MWR funds are generated by these stores each year. We urge this committee to support this DoD effort only after DoD demonstrates that there is a strong need to do so, that making the change would correct an existing problem, that *no* military service would receive a reduced level of MWR funding generated from these stores, and that no beneficiary will experience a reduced benefit.
- ***Work to provide full commissary and exchange benefits for retirees at overseas military locations.*** Due to the status of forces agreements (SOFAs) and other government decisions, retirees are unable to use exchanges and commissaries on some overseas military bases. We ask, as each SOFA comes up for review, that

DoD works with the Department of State to allow military retirees to use these important cost-savings stores. Retirees traveling overseas or living in overseas locations ought to be able to enjoy the great savings and product lines provided by commissaries and exchanges—benefits they earned by serving their nation.

## MORALE, WELFARE AND RECREATION PROGRAMS

These programs form an essential part of military life. They build a sense of community, enhance morale, promote fitness, provide support to family members left behind when the military member is deployed, and financially support military families.

- *Support full funding of Child Development Centers.* These facilities are not a luxury, they are absolutely necessary for the completion of this nation's military mission. We applaud this committee for its support in this area. The primary complaints we receive from military members are that:
  - CDCs should be required to set their operational hours to complement the military mission requirements at each particular location.
  - CDCs should allow 30 days each year during which a military member can remove their child, without having to pay for their slot, so that they may enjoy their annual leave. Currently, they must keep paying for the slot even when their child is not using it. Otherwise, they lose their reserved slot. This is ironic since their child's slot will be filled by "standbys."
  - CDCs should adjust the tiered pricing scheme from being based on total family income to being based on the highest ranking military member in a particular family.

## HOUSING AND SHIPMENT PROGRAMS

The process of shipping military personal property has historically been a *nightmare* for military service members. They have had to accept that their personal goods will be lost, stolen, or damaged. In fact, that is a normal part of nearly every military move. One reason that military household goods have been treated so shoddily is that carriers are selected based on "low bid"—not high quality and/or customer satisfaction. Also, the claims process to recover the financial loss caused by loss or damage is so cumbersome that many people don't bother to file a claim. Those who do file a claim soon learn that they will be reimbursed only a fraction of the cost of the actual loss or damage.

- *Mandate Inclusion of "Full Replacement Value" in future DoD contracts.* While AFSA applauds this committee for including Section 634 of the FY 2004



NDAA. It amended Title 10, Chapter 157, Section 2636 to say, "The Secretary of Defense *may* include in a contract for the transportation of baggage and household effects for members of the armed forces at Government expense a clause that requires the carrier under the contract to pay for the full replacement value for loss or damage to the baggage or household effects transported under the contract." AFSA urges you to amend that language to say that DoD "*must*" include this provision in such future contracts. Otherwise, the servicemember will continue to be non-protected.

- ***Provide a household goods weight allowance for military spouses to accommodate professional books, papers, and/or equipment needed to support employment of military spouses.*** Because the majority of military spouses now work (especially in enlisted families), it is appropriate that they be afforded a weight allowance to accommodate their professional documents, books, and supplies. This would be in keeping with DoD's recent focus on "family readiness." This allowance would also support such things as supplies for family in-home day care, etc.
- ***Authorize reimbursement for alternate POV storage.*** If advantageous to the government, reimburse transportation expenses for members to take their POVs to a location other than a commercial storage facility when PCSing (e.g., to leave the vehicle with a relative). When a member is sent overseas to a location where the government will not ship a POV, the government must pay to store the vehicle and reimburse the member for mileage accumulated while taking the POV to a commercial storage facility. Sometimes it would cost the government less to reimburse a member for driving his/her vehicle to store it at no cost at a relative's or friend's home. On top of that, the government would not have to pay the storage fees! Of course, those who got reimbursed for taking their vehicle to other than a commercial storage facility would waive the government storage benefit. In many cases this approach would save the government money, as well as passing the common sense test.
- ***Provide all military members being reassigned to CONUS or OCONUS locations the option of government-funded shipment or storage of a second privately owned vehicle.*** Current demographics, family employment realities, and average number of family vehicles justify making this change. This would be seen as a positive step forward, particularly for enlisted military members. For them, a privately owned vehicle is a major investment in their overall financial well-being. Leaving a vehicle behind is usually not an option since few enlisted members can afford to store one. As such, a PCS move can have a significantly onerous financial impact on an enlisted family. Especially if they are forced to sell their vehicle. Additionally, because both spouses have to work to support the family, we are forcing the family to purchase a second vehicle at the PCS location—often

at overseas locations where the vehicles are significantly overpriced. We urge this committee to examine providing each military member the option of government funded shipment or storage of a second vehicle.

## SURVIVOR BENEFITS

AFSA appreciates the committee's increased attention to the needs of those left behind when a current or past military member passes away. The spouses of military members also serve their nation, facing the rigors of that lifestyle, and always being aware that their military spouse has agreed to the ultimate sacrifice. It is important that we correct some inequities that military survivors face.

***Eliminate the age-62 Survivor Benefit Plan annuity reduction.*** I urge you to take action to eliminate the unfair Survivor Benefit Plan (SBP) "Widows Tax." A widow's SBP annuity is *reduced by 36 percent* when she reaches age 62. Before age 62, she receives 55 percent of the deceased military retiree's base retirement pay; at age 62, it drops to 35 percent of the base retirement pay. This is a financially devastating blow to many survivors, many of whom are on fixed incomes. On top of that it is just plain wrong!

When Congress passed SBP in 1972, the intent was for the retiree to pay 60 percent of program costs, with a 40 percent government subsidy. However, due to miscalculations and annuitant changes, the government subsidy now is just 19 percent. The retiree is paying 81 percent of SBP costs! In 1989 when the subsidy had dropped to just 28 percent, Congress reduced premiums to readjust the government's fair share. With the government subsidy only 19 percent, a major readjustment is needed immediately. One can only imagine the requests that would come from DoD if the situation were reversed. One very fair way to rectify the situation would be to raise the modest survivor annuities.

Many military members were misled to believe that the survivor's annuity would be 55 percent for life. Many are shocked when they find that the annuity will drop to 35 percent at age 62. Additionally, there is no such reduction in the federal civilian SBP which is much more highly subsidized. It is wrong that the most senior military survivors are not protected in a similar manner.

- ***Accelerate the fully-paid-up status for SBP and RSFPP participants who have reached age 70 and have paid into the program 30 years.*** When Congress passed the paid-up provision five years ago, it set the effective date at 2008. While that change will be welcomed by those who reach age 70 around that time, many more will not so benefit. In fact, many current SBP enrollees will have to have paid more than 35 years at the time that their program is considered paid up. AFSA urges this committee to change the paid-up effective date to the date of enactment of the FY 2005 National Defense Authorization Act.

- ***Allow Dependency and Indemnity Compensation (DIC) widows to remarry after age 55 without losing their entitlement.*** This would make DIC consistent with other federal programs. Last year's NDAA took a step forward by allowing such widows to remarry after age 57 without losing their benefit. We ask the committee to make that "age 55" to be fair to this group of military widows.
- ***Provide full space-available travel opportunities for survivors of military retirees.*** This is often requested by military survivors. Currently, the U.S. Transportation Command is running a test program to allow the spouses of military retirees to travel with them during space-available travel. Once the retiree passes away, the survivor should still be able to continue to take advantage of this benefit. Remember, this is "space-available" travel, so it does not have a budgetary or operational impact.

## HEALTH CARE

- While the overall committee and this subcommittee have received a great deal of input in the area of health care—both from this association and the Military Coalition—we wanted to highlight one point in this statement: *It is important that both the TRICARE maximum allowable charges and the ease of administration (for civilian providers) be addressed.* We have had many members say that they know of doctors that will not treat them because the doctor does not respect nor accept TRICARE. Further questioning usually indicates that the doctors do not welcome TRICARE patients because they have to accept significantly less reimbursement for their services. Why should they? Similarly, DoD should work with the Medicare policy people to raise their allowable reimbursement rates. If they do not, the options for TRICARE for Life beneficiaries will also be more limited.

Mr. Chairman, thank you for this opportunity to present some of the challenges faced by enlisted military members. As you know, they ask little in return for serving their nation. The items they ask us to bring to you, such as those above, would provide equity in some cases and program improvement in others. On behalf of the members of the Air Force Sergeants Association, we ask you to include consideration of these items in your deliberations as you formulate your mark-up for the FY 2005 National Defense Authorization Act. We would be happy to provide more information or to answer any questions you might have on these important matters.



the following table is a summary of the results of the experiments conducted on the effect of the temperature of the water on the rate of the reaction. The temperature of the water was varied from 10°C to 30°C, and the rate of the reaction was measured by the volume of gas evolved per unit time. The results show that the rate of the reaction increases with increasing temperature, and that the increase is more rapid at higher temperatures.

The following table is a summary of the results of the experiments conducted on the effect of the concentration of the reactants on the rate of the reaction. The concentration of the reactants was varied from 0.1 M to 0.5 M, and the rate of the reaction was measured by the volume of gas evolved per unit time. The results show that the rate of the reaction increases with increasing concentration, and that the increase is more rapid at higher concentrations.

The following table is a summary of the results of the experiments conducted on the effect of the surface area of the reactants on the rate of the reaction. The surface area of the reactants was varied from 1 cm<sup>2</sup> to 10 cm<sup>2</sup>, and the rate of the reaction was measured by the volume of gas evolved per unit time. The results show that the rate of the reaction increases with increasing surface area, and that the increase is more rapid at higher surface areas.



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**DOCUMENTS SUBMITTED FOR THE RECORD**

MARCH 24, 2004

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# Summary Action/Task List for Improving Pay Support for Mobilized Soldiers

Control Number	Action	Primary Organization	Status	GAO Response	Memo to Congress
	<u>Completed Actions</u>				
2	Training team to Kuwait	DFAS	completed	10	1a(2)
3	35 specific training events for finance battalions and mobilization/demobilization site personnel	USARMC	completed	10	1a(3)
7	US Army Reserve help lines for individuals and finance units	USARMC	completed	N/A	1a(7)
8	Deploy integrated Active Component/Reserve Component input system (DMO) to all Army	DFAS	completed	N/A	1a(1)
9	Reactive entitlement input	DFAS	completed	N/A	1a(2)
10	Leave Accrual	DFAS	completed	1, 3, 18	1a(5)
11	Reverse Defense Finance & Accounting Service (DFAS) Military pay message from 19 Dec 02	DFAS	completed	1, 3, 18	1a(1)
12	Reverse Defense Finance & Accounting Service (DFAS) Military pay message from 19 Dec 02	DFAS	completed	1, 3, 18	1a(1)
13	Publish standardized explanation flyer for distribution at mobilization sites	USAFINCOM	completed	1, 3	1a(2)
15	Add warning screens on input system (DMO and JUSTIS) for four cancellations	USAFINCOM	completed	13	1a(3)
18	Publish guidance on processing orders for medical extensions	DFAS, ARNG	completed	4, 21	1e
19	Publish memorandum to reserve commands on importance of using pay management report	Army G1	completed	4	1g
20	Review grades of US Property and Fiscal Office (USPFO) military pay technicians	ARNG	completed	5	1h
22	Automate Hardship Duty Pay - Location (HDP-L)	ARNG	completed	9	1i
23	Develop/publish revised comprehensive procedures	DFAS	completed	17	2a(1)
25	Produce exportable DIMS-RC training package	USAFINCOM	completed	1	2b(1)
27	Forward Compatible Pay system (FCP) approval from DoD/	Finance School	completed	10	2c
	Business Management Modernization Program (BMMF)	DFAS	completed	17, 18, 20	3b(3)
42	Add JUSTIS table of mobilized soldiers' accounts with recurring input required	ARNG	completed	19	N/A
43	Joint Uniform Standard Terminal Input System (JUSTIS - ARNG input system)	ARNG	completed	20	N/A
44	change to require remark on miscellaneous credit input	DFAS	completed	20	N/A
50	DFAS change to require remark on misc. credit input	DFAS	completed	N/A	N/A
	<u>Ongoing Actions</u>				
1	Training at US Army Reserve Pay Operations Center	USARMC	ongoing	10	1a(1)
4	National Guard mobilization finance classes	ARNG	ongoing	10	1a(4)
5	Notification to US Property & Fiscal Offices of pending mobilizations	ARNG	ongoing	N/A	1a(5)
6	Notification to US Property & Fiscal Offices of recent demobilizations	ARNG	ongoing	N/A	1a(6)
14	Initiate compliance reviews of mobilization/demobilization sites	USAFINCOM	ongoing	1	1d
16	Defense Joint Military Pay System Reserve Component (DIMS-RC) automated reconciliation to in-theater database for monitoring stops/starts of theater entitlements	DFAS	ongoing	3	1f(1)
17	DIMS-RC automated reconciliation to demobilization site records for stopping all pay/ curtailing tours	DFAS	ongoing	3	1f(2)

As of April 14, 2004

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## Summary Action/Task List for Improving Pay Support for Mobilized Soldiers

Control Number	Action	Primary Organization	Suspense	Status	GAO Response	Memo to Congress
<b>Ongoing Actions (continued)</b>						
21	Ensure pay issues for units identified by General Accounting Office are all resolved	ARNG		ongoing	15	1j
24	Clarify who does what how & develop metrics/standards tailored to mobilization/demobilization	USAFINCOM		ongoing	2	2b(2)
33	Update regulations to eliminate outdated entitlements and processes - NGR 130-6	ARNG		ongoing	6	3c
38	Evaluate support for surge staffing of USPFOs	ARNG		open	7, 8	N/A
40	Continue to add functionality to myPay for discretionary actions	DFAS		ongoing	14	N/A
41	Evaluate Standard Installation/Division Personnel System - National Guard (SIDPERS-NG)	ARNG		ongoing	16	N/A
45	- JUSTIS interface for mobilization					
46	Provide Defense Military Pay Offices (DMPO) and Finance Battalions (FB) with NG newsletter	DFAS		ongoing	20	N/A
49	Evaluate potential DIMS-RC systems change for debt threshold	DFAS		ongoing	21	N/A
51	Establish ombudsman program for National Guard Soldiers	ARNG		ongoing	N/A	N/A
<b>Mid-Term Actions (6 to 36 months)</b>						
26	Internet soldiers' pay account access (myPay) for dependents (view-only)	DFAS		Aug-04 open	14	3a
28	Complete FCP Development-Dec 04	DFAS		Dec-04 open	17, 18, 20	3b(4)(a)
29	Start FCP deployment to the Army RC- Mar-05	DFAS		Mar-05 open	17, 18, 20	3b(4)(b)
30	Start FCP deployment to the Army AC-Jul 05	DFAS		Jul-05 open	17, 18, 20	3b(4)(c)
31	Update regulations to eliminate outdated entitlements and processes- DaDEMFR	DFAS		Sep-04 open	6	3c
32	Update regulations to eliminate outdated entitlements and processes - AR 37-104.4	USAFINCOM		Sep-04 open	6	3c
34	Evaluate placement and monitoring mechanisms for FCP/reserve pay training	Finance School		Sep-04 open	10, 12	3d
39	Add pay support doc review & monthly reconciliations to precommand course	ARNG		Sep-04 open	11	N/A
49	Automate Continental US Cost of Living Allowance (CONUS COLA)	DFAS		Mar-05 open	N/A	N/A
52	Procedures for reviewing high dollar payments	DFAS		Sep-04 open	24	N/A
<b>Long Term Actions (36+ months)</b>						
35	Initial Army operational capability DIMHRS-Sep 05	OSD		Sep-05 open	22, 23	4a(4)(a)
36	Start deployment of DIMHRS to the Army-Jan 06	OSD		Jan-06 open	22, 23	4a(4)(b)
37	Complete DIMHRS implementation-Sep 07	OSD		Sep-07 open	22, 23	4a(4)(c)
47	Incorporate Army Guard pay problems in Defense Integrated Military Human Resources System (DIMHRS) development	OSD		Sep-05 open	22	N/A
48	Include full reengineering in DIMHRS	OSD		Sep-05 open	23	N/A



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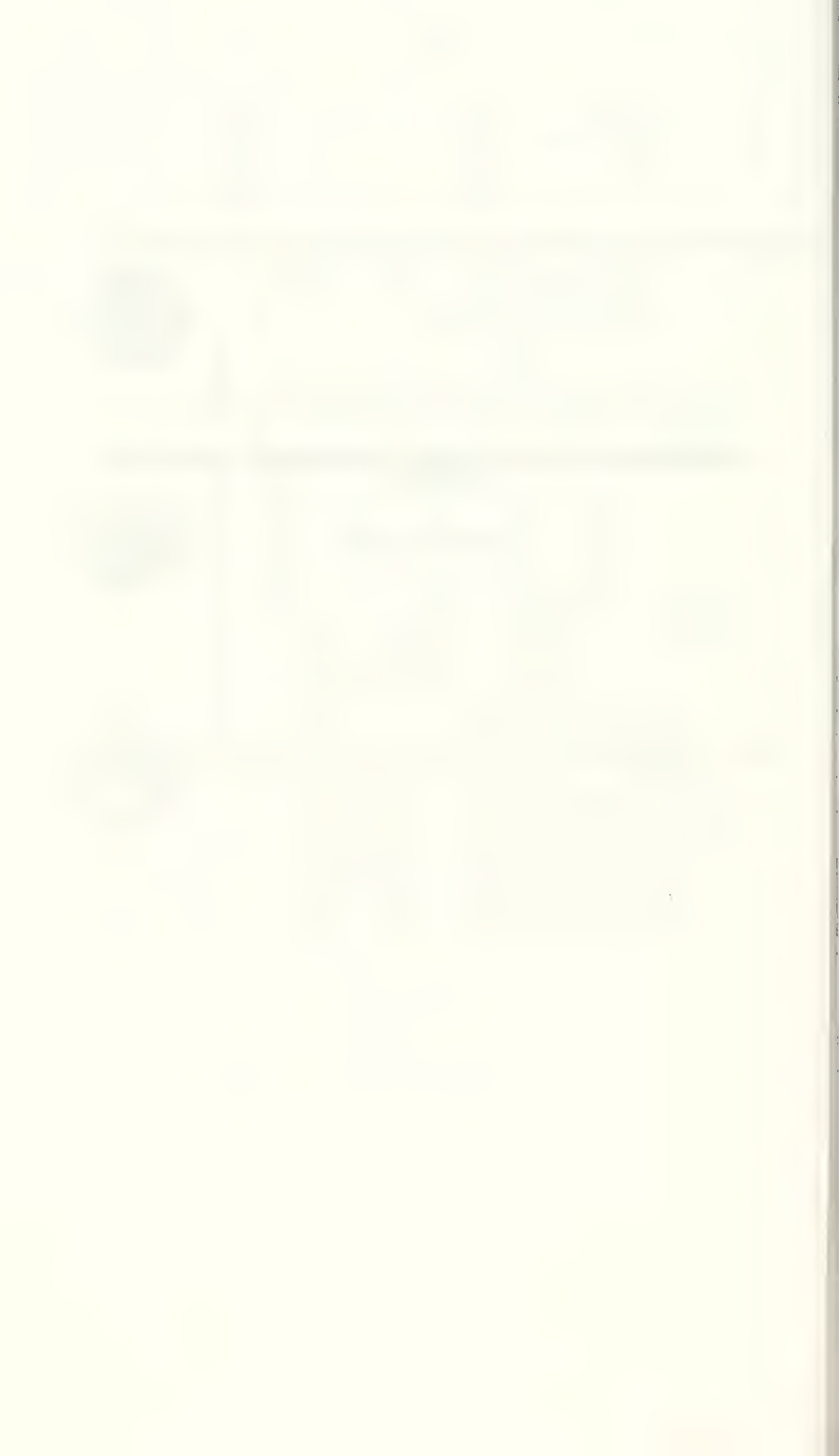
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**QUESTIONS AND ANSWERS SUBMITTED FOR THE  
RECORD**

MARCH 24, 2004

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## QUESTIONS SUBMITTED BY MR. MCHUGH

Mr. McHUGH. There is some evidence that the processing of pay for mobilized National Guardsmen is still not sufficiently timely or accurate. Are DoD and the Services doing everything possible to improve the processing of pay for National Guardsmen when they mobilize? Is there anything Congress should be doing to assist in this effort?

Secretary ABELL. In the Fall of 2003, the Department of Defense established a 52-point action plan to improve pay support for mobilized soldiers. The primary focus of this plan was to upgrade procedural guidance/oversight, training, and systems. The plan is broken out in timeframes ranging from immediate (within 60 days) to long term (over 3 years). All actions scheduled for start/completion within six months have been initiated and/or completed.

While significant improvements have been made in training, procedural guidance, and systems controls in support of mobilized soldiers' pay, these efforts have occurred primarily since the Fall of 2003. In many cases, the success of these improvements will not be visible with the original mobilizations and deployments in support of OIF1. They should result in improved pay support for those soldiers currently deployed under OIF2 and, to an even greater extent, the soldiers who are just beginning to be mobilized for OIF3. During OIF3, Defense Finance and Accounting Service (DFAS) will deploy the Forward Compatible Payroll (FCP) system for the Army Reserves and National Guard. FCP is a new integrated pay system for both active and reserve components being developed by DFAS for the Army, Navy, and Air Force. The initial deployment for the Army Reserve forces in March of 2005 will provide even more significant improvements to the pay process. FCP is an interim system that will provide pay computation for the Services until the Defense Integrated Military Human Resources System (DIMHRS) is deployed. DIMHRS deployment will begin in December 2005 with the Army.

At this time, the combined efforts of the Army, ARNG, and DFAS are moving the pay administration for mobilized soldiers in the right direction. Many of these initiatives are based not on the infusion of major resources, but rather the quality of the training, guidance, and system support infrastructure for those human resources.

[Further information can be found in the Appendix on page 1125.]

Mr. McHUGH. The G/FO management strategy outlined in the Rand Corporation study *Aligning the Stars* assumes that the services would exercise considerable discipline in determining which jobs are considered "developing" and which are considered "using" and assigning officers to closely managed tour lengths. While I recognize that the study concludes that approach, the services tend to have very independent personnel cultures and often resist the kind of standardization that this G/FO management system would appear to demand.

Did the services understand and accept the management approach described in the Rand study?

How confident are the services that they are willing and able to exercise sufficient discipline in the system to make the system work?

What is the risk that the services will not be sufficiently disciplined and promotions below 0-7 will become stagnant?

General HAGENBECK. While I cannot speak for the other Services, the Army understood the recommendations made in the Rand study, *Aligning the Stars*. However, these recommendations have not been reviewed with the requisite degree of specificity to conclude that the Army accepts them wholesale. In the absence of specific legislation needed to support many of Rand's recommendations, such a review is not viable due to the impact such legislation (or its absence) would have on ability to execute various recommendations contained in the study.

The Chief of Staff, Army did lend his support to legislative proposals related to general and flag officer management that were contained in the Secretary of Defense's Defense Transformation of the 21st Century Act of 2003. I understand that some of these legislative proposals are still pending possible inclusion in the FY05 National Defense Authorization Act. If enacted, these proposals would provide the Secretary of Defense and the Services greater flexibility in managing their general and flag officer leadership.

It is also worthy of note that the *Aligning the Stars* Study was focused on line officers due to their collective greater potential for promotion to four-star rank in all of the Services. Relative to the Army, the study only included infantry, armor and field artillery officers; these officers comprise approximately one-half of the Army's general officers. Accordingly, given this limited scope, caution is warranted when making inferences about the impact of Rand's recommendations on management of the Army's (and other Services) entire general and flag officer populations.

Admiral HOEWING. The Rand Study provided a number of useful tools that can be used in flag officer management.

In particular, the categorization of assignments as either "developing" or "using" can certainly aid us in better positioning our top leaders for success.

Innovative management approaches such as those in the Rand study will aid us as we transform the force to meet current and future threats.

Preparing Navy leadership for future challenges remains a primary focus in our management of the flag officer community.

This is an extremely important issue. Annually, we design our selection processes around anticipated promotions and retirements to maintain a healthy promotion flow.

Our goals are two-fold. First, promoting and retaining the best and most qualified flag officers to positions requiring their significant talents. Second, to provide incentive for talented officers below flag-rank to continue to serve with a continuing opportunity for promotion.

General BROWN. The Air Force did understand the recommendations made by RAND because we have historically understood the difference between those positions that provide the necessary development and growth experiences for G/FOs, versus positions that require specific expertise, resident in only certain G/FOs, and usually require a longer tenure in order to properly execute the mission.

Since we have historically managed using the basic tenants of the RAND approach (although we have not formally identified positions as "using" or "developing"), the Air Force is confident we will continue to exercise discipline and make our system work.

Provided the services are afforded the flexibility to allow Time in Grade (TIG) waivers for a limited number of officers, it appears this policy will not add any additional risk that promotion below O-7 will become stagnant.

Mr. MCHUGH. I think we can all recognize that wartime budgets often present difficult choices between competing priorities. However, it now appears that the Army and Navy have begun to reduce appropriated fund support for MWR programs. The Army is \$48 million below fiscal year 2003 levels during fiscal year 2005. The Navy is \$100 million below fiscal year 2003 levels during fiscal year 2005.

Why have your respective services elected not to support these programs?

General HAGENBECK. The Army leadership supports Morale, Welfare, and Recreation (MWR) Programs. Despite the resource demands of fighting the Global War on Terrorism, the Army increased MWR funding in FY 2005 over the FY 2004 Budget by \$28 million. Due to current worldwide commitments, the Army is forced to make tough decisions when allocating scarce resources. The Army's challenge is to sustain adequate funding levels that provide equitable and consistent quality MWR Programs to all Soldiers and their families while ensuring that Soldiers in combat have all they require to fight and win. The Army will continue to sustain essential services at installations at home and overseas, however, some level of funding risk may continue.

Admiral HOEWING. In keeping with the Department of Defense strategy of transformation in the 21st century, our Navy is engaged in an aggressive search for efficiencies in all facets of shore installation management, including review of MWR programs. The effort is linked to the CNO's Sea Power 21 initiative to identify shore installation management savings that can be realigned to modernize the Navy's combat platforms that are increasingly being called upon to serve and protect this nation on multiple fronts.

After a complete review of the ashore infrastructure budget in June 2004, the Navy has restored \$20 million in appropriated funds (APF) to the FY05 budget for MWR programs. Additionally reductions in MWR central overhead costs and non-essential centrally funded renovation projects will free up \$18 million in APF to support local MWR program requirements. The Navy has also realigned \$22 million in non-appropriated funds from centrally funded capitalization projects to support local operations. This will reduce the impact of planned program delivery cuts by 60%. The remainder of the reduction will come from reducing overhead costs and closing or reducing hours in some underutilized programs.

While the Navy is focused on streamlining, consolidating, and implementing all potential business improvement techniques to deliver as much output as possible



with available funding, we will continue to support our core MWR programs to the fullest extent possible.

Mr. McHUGH. Can I expect that funding for the programs will be improved during the year?

General HAGENBECK. Given the resource demands of our dynamic operational environment, and a number of unfunded requirements, the Army must continue to prudently steward its limited resources. It is possible that the Army will be in a position to increase funding for MWR programs after final FY 2005 funding decisions are made. Additional funding for MWR programs could also be available if Congress provides supplemental appropriations.

Admiral HOEWING. After a complete review of the shore infrastructure budget, in June 2004, Navy restored \$20 million in appropriated funds (APF) to the FY 2005 budget for MWR programs. Additionally, reductions in MWR central overhead costs and non-essential centrally funded renovation projects will free up \$18 million in additional APF to support local MWR program requirements. Navy has also realigned \$22 million in non-appropriated funds from centrally funded capitalization projects to support local operations. Current budget plans for FY 2006 include an additional \$50 million in APF for MWR.

Mr. McHUGH. Does the Congress need to take action to protect the MWR accounts?

General HAGENBECK. We appreciate Congressional interest in improving the quality and consistency of MWR programs for military communities and for the outstanding and continuing support for Soldiers and families by Congress. We do not believe, however, that Congressional action is needed to protect MWR accounts. The MWR program has always been a high priority to Army commanders, and will remain so. The Army will continue placing a high priority on funding MWR programs, within the framework of competing requirements and limited resources.

Admiral HOEWING. Navy is doing all that it can to protect MWR benefits for Sailors and their families. We appreciate Congressional interest in, and support for, Navy MWR programs. While MWR program management migrates to Commander, Navy Installations (CNI) in FY 2005, the Chief of Naval Personnel will maintain policy and oversight authority and will continually monitor the health of our MWR programs based on a detailed set of agreed-upon metrics. Additionally, CNI will regularly report to a senior level board of directors, with representation from around the Navy, on the health of our MWR programs to ensure appropriate MWR benefits are preserved.

#### QUESTIONS SUBMITTED BY MS. SANCHEZ

Ms. SANCHEZ. Is it possible to provide emergency contraception at smaller field hospitals?

Secretary ABELL. Birth Control Pills (BCPs) are available at all Combat Support Hospitals (CSHs), troop clinics, and aid stations for units with females assigned. It is possible that some forward aid stations for units without females assigned would not have a stock supply of BCPs. If the facility does not have the medication, then the female Service member should be taken to the nearest facility that has the medication and the medical support.

Ms. SANCHEZ. Is abortion offered at combat support hospitals in the event of rape?

Secretary ABELL. It is a Central Command Policy that all pregnant Service members are medically evacuated out of the Central Command Area of Operations and returned to the United States until the pregnancy is resolved and the member is medically evaluated and cleared to return to duty.

The Department of Defense (DoD) complies with the provisions of 10 USC Sec. 1093, which limits the military health system to fund abortions only in circumstances where the life of the mother is endangered if the fetus is carried to term. DoD is, however, authorized to provide non-DoD funded abortion services within its facilities to women who have become pregnant as a result of rape or incest.

As a matter of policy, the DoD will not perform abortions in countries where it is contrary to host nation law. Such legal issues as these are in a state of flux in Iraq due to the recent conversion to an interim government.

Another limiting factor is having providers available who have the training to perform the abortion, and who do not object as a matter of conscience. Accordingly, the Service member would be medically evacuated to the United States where they could receive appropriate care at their own expense.

### QUESTIONS SUBMITTED BY DR. GINGREY

Dr. GINGREY. And again, my specific question, though, in regard to the Junior ROTC program, and I realize it is not a recruiting program, that it is a citizenship effort, and that is good, and I think ultimately, it certainly can be, is a recruiting program, but is it permitted, that is a very specific question, to have a Junior ROTC program in a private, non-public high school?

Secretary ABELL. It is permissible to have a Junior ROTC program in a private, non-public, high school. Section 2031(a)(1), Title 10, U.S. Code, states, "The Secretary of each military department shall establish and maintain a Junior ROTC, organized into units, at public and private secondary educational institutions which apply for a unit and meet the standards and criteria prescribed."

### QUESTIONS SUBMITTED BY MS. TAUSCHER

Ms. TAUSCHER. It has come to my attention that many junior enlisted Service men and women who have purchased supplemental life insurance policies were ordered by their commanding officers to cancel them. They were told that the military insurance plans, such as SGLI, were sufficient. These soldiers obeyed orders and were subsequently killed in combat. Now their families are left without life insurance benefits they could really use. Are you aware of this, and if so, is the Pentagon investigating?

Secretary ABELL. The Department appreciates and shares the Congresswoman's concern for the families of our men and women killed in the line of duty. Though we continue to strive to protect our troops from those insurance solicitors who employ unscrupulous and predatory methods, our commitment to the welfare of the surviving families of our departed Service members remains steadfast. In conjunction with an ongoing GAO audit of DoD policy for commercial insurance sales and DoD commercial insurance allotment processing procedures, OSD is examining allegations of personnel being ordered to cancel commercial insurance policies. Existing policy does not require or recommend that commanders issue such orders.

Ms. TAUSCHER. At a public hearing last August held by DoD, the issue of cancelled allotments was raised. We are now hearing that soldiers at bases all over the country are being told to have their allotments for the purchase of insurance cancelled. Many of these soldiers went off to Iraq thinking that they had purchased supplemental life insurance policies, with designated beneficiaries, but that is not the case. What is the Pentagon doing about this?

Secretary ABELL. A GAO investigation into these allegations is ongoing. DoD continues to seek ways to protect Service members from exploitation and fraud. We are cooperating fully with the ongoing GAO investigation.

Ms. TAUSCHER. When General Schoomaker was testifying before the full HASC committee last January he stated, "There is no question that the Army is stressed." He also said increasing the size of the Army by up to 30,000 troops on a temporary basis would fill a gap until the Service completes a transformation effort.

With forces stretched thin and estimates from the Service Members Legal Defense Fund that roughly 10,000 Service members will have been discharged under the Don't Ask, Don't Tell policy by the end of this fiscal year, isn't it time to take a look at the force strength and military readiness issues involved in continuing to discharge able bodies and valued Service members under this law?

You go on to state, beginning on page 19 of your written remarks, that "There needs to be more members of the Armed Forces who can understand and communicate in languages other than English." You highlight the great work that the Defense Language Institute is doing to train our Service men and women in foreign languages. This is a very tough program. Only the Army's best make it into the Arabic program. It costs almost \$40,000 to train each person in the program.

On December 12, 2003, The Washington Post ran a story indicating that 37 Service members have been fired from the Defense Language Institute since September 11th for violating Don't Ask, Don't Tell. Former Specialist Cathleen Glover completed the Arabic program but was dismissed for being a lesbian. She spent the summer here in Washington, D.C., earning \$11 per hour cleaning the pool at the Sri Lankan Ambassador's residence instead of serving her country.

So again, don't you think it's time to look at the force strength and military readiness issues involved in continuing to discharge the able bodied?

Secretary ABELL. The Department's policy regarding homosexual conducts implements a federal law, codified in Section 654 of Title 10, United States Code. When individuals violate the provisions of that law, we are required to process them for discharge. While the loss of capable people is regrettable, those entering the Armed Forces are told of the provisions of the law and the Department's policy implement-



ing it incident to their entry into the military. Additionally, discharges for homosexual conduct account for less than one percent of our discharges every year and the number of discharges for this reason has declined in the past two years.

Ms. TAUSCHER. Following the voting problems that occurred after the 2000 election, Congress focused considerable attention on preparing DoD for the 2004 election. The primary focus was the authorization of an electronic voting demonstration project that required DoD to develop a large scale Internet based system to allow voters to register and cast their ballots with state election officials.

DoD launched the multi-year Secure Electronic Registration and Voting Experiment (SERVE) project and secured the cooperation of seven states and 52 counties. However, during a peer review process, four of the review members raised serious concerns about security precautions. Secretary Wolfowitz cancelled the program. DoD now requires relief from the legislated requirement to conduct a demonstration project.

What is the current status of the SERVE project?

How are we going to be able to provide a SAFE and Secure way for military families to vote absentee?

Secretary ABELL. Development and testing of the SERVE system was terminated in mid-March 2004. Work is continuing on the evaluation report which will document the project, record lessons learned, and make recommendations for consideration in future demonstrations. We expect this report to be delivered to the Congress no later than September 2004.

The United States Postal Service (USPS) and Military Postal Service are the primary method used to transport ballots. Additionally, for the delivery and return of ballots for the November 2003 general election, DoD and USPS have instituted an expedited mail process to better serve overseas military voters. DoD continues the operation of its worldwide Electronic Transmission Service to expedite the delivery of ballots to voters and the return of voted ballots to election officials, where permitted by state law. DoD is also supporting several counties in locally initiated efforts to expedite delivery of ballots to voters by electronic means.

General HAGENBECK. The majority of ballots will be mailed from county election officials 30 to 45 days prior to Election Day (2 Nov 04). The United States Postal Service (USPS)/Military Postal Service Agency (MPSA), and the Federal Voting Assistance Program (FVAP) expect the majority of the ballots to be mailed from the counties within the first couple of days of the 30-45 day process.

USPS Postmasters will contact local county election officials to provide mailing information. USPS will also have local post offices pick-up the balloting material from the county election officials daily (Monday through Friday) and will forward the ballots by express mail to the three gateways (JFK, SFO, MIA).

Ballots will be processed separately, prior to other mail. Ballots will be placed in front of all letter trays or on the top of all flat tubs. All letter trays and flat tubs containing ballot material will have a distinctive, highly visible label, to ensure they receive the highest priority when loading/off-loading aircraft.

Once the trays/tubs arrive in the Military Postal System, they will be given the highest priority in transportation and handling. Trays/tubs with ballots will move first on all Aircraft, Convoys, Humvees and processed first by all postal personnel including unit mail clerks.

### **Retrograde Procedures**

The DoD Postal Manual requires all Military Post Offices (MPOs) to ensure clear and legible postmarks are placed on all ballots at the time of mailing.

Ballots will be placed in the front of letter trays/top of flat tubs. Distinctive, highly visible labels will be placed on tub/trays. Each MPO will complete a report containing MPO zip code, MPO location (city/country), branch of Service (Army, Air Force, Navy, Marines, Coast Guard), date of dispatch, consecutive number of report (Report 1, Report 2, Report 3, etc.), and number of absentee ballots.

The shift supervisor/Custodian of Postal Effects (COPE) will sign the report and enclose a copy in the letter tray/flat tub. The MPO will also maintain a file copy of the report.

Trays/tubs with balloting material will be given the highest priority handlings/transportation. Trays/tubs containing balloting materials will be dispatched as rapidly as possible even if they only contain one ballot.

USPS will verify the contents of the letter tray/flat tub in the report provided by the MPO and maintain a count of balloting material returned to each gateway.

Admiral HOEWING. Development and testing of the SERVE system was terminated in mid-March 2004. Work is continuing on the evaluation report, which will document the project, record lessons learned, and make recommendations for consid-

eration in future demonstrations. We expect this report to be delivered to the Congress no later than September 2004.

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General PARKS. The Federal Voting Assistance Program worked closely with seven volunteer states and nearly 50 counties to carry out the 2001 Congressional request in which the Department of Defense was to conduct and report on the feasibility of developing a secure web-based registration and voting system for use in the 2004 elections. Concerns were raised that, given the current security vulnerabilities of the Internet and voters, personal computers, no Internet voting system could be 100% secure. Rather than have the integrity of the election results questioned, the Department of Defense has decided not to deploy the SERVE system for use in the 2004 elections.

Without the SERVE project being implemented, the Federal Post Card Application (FPCA) is being used by absentee voters to request their absentee ballot.

General BROWN. Respectfully defer questions involving the SERVE project to the Office of the Secretary of Defense. In regards to the Air Force Voting Program, Air Force military families follow the same absentee voting procedures as non-military families. The Air Force provides assistance to families in registering to vote and obtaining absentee ballots from their home state. The ballots are then delivered and returned using the US Postal Service. The US Postal Service is placing a priority on processing ballots.

Ms. TAUSCHER. I am deeply concerned with this ongoing issue of rapes and sexual assaults in the Air Force. I spoke with Secretary Roche last week regarding March 8th New York Times article highlighting the problem within the Pacific Division and I met with Assistant Secretary Dominguez today to discuss both the Pacific Air Force Sexual Assault Study Action Plan and how the Air Force in general is making improvements.

Can you tell me if this Action Plan is being implemented throughout the entire Air Force or simply in the Pacific Division?

Is the Air Force looking in to limiting alcohol either on bases or at least in the dorms, since it is a factor in 80% of reported rape cases?

Are efforts being made to increase dorm supervision during off duty-hours and weekends, especially on bases abroad? Is there a mentor program to get new airmen acclimated to serving abroad?

How many of the Fowler Panel recommendations for change at the Air Force Academy are being implemented? What is the time frame for completion?

Could the witnesses representing the other branches of the military provide information to the committee on your sexual assault policies and if they are under review and change such as is the case with the Air Force?

On 3 Jun 04, Mr. Michael Dominguez, Assistant Secretary of the Air Force, Manpower and Reserve Affairs testified before the House Armed Services Committee regarding sexual assaults in the military. The questions listed above were posed to Mr. Dominguez during the hearing, and answers were provided. Lt. Gen. Brown defers all responses to Mr. Dominguez' testimony.



**FISCAL YEAR 2005 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON RESERVE COMPONENT TRANSFORMATION AND RELIEVING THE STRESS IN THE RESERVE COMPONENT**

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
TOTAL FORCE SUBCOMMITTEE,  
*Washington, DC, Wednesday, March 31, 2004.*

The subcommittee met, pursuant to call, at 1:06 p.m., in room 2212, Rayburn House Office Building, Hon. John McHugh (chairman of the subcommittee) presiding.

**OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE**

Mr. MCHUGH. The hearing will come to order.

Let me first of all welcome certainly our witnesses. We have two very distinguished panels today to explore some very, very important issues.

But also to those of you who have joined us in the audience, we appreciate your interest and your efforts to be here.

There is a photograph circulating on the Internet of an Army truck convoy in Iraq that perhaps says as much as anything I have seen in capturing what this hearing is all about today.

It underscores why it is necessary that we focus, not just this afternoon but in the days and weeks ahead of us, on the reserve component (RC) elements of the total force.

The photo summarizes exquisitely the new era and new realities that the men and women of the reserve components today are struggling with. And it should serve as a wake-up call for all here who make the policies and laws regarding the total force that there are new realities that we, too, must deal with.

What you can see in the photo is a sun-lit cargo truck. It has a driver and a vehicle commander sitting in the shadows behind that windshield. It is just two reserve component soldiers doing their jobs in a place they probably never thought they would ever see, let alone be in.

We might never have known their thoughts about that job on their new circumstances in life except for the modest cardboard banner that they pasted in the windshield of the truck. That message from them on that, admittedly crudely but I think well and aptly lettered sign in soldier-direct words reads, "One weekend a month, my ass." [Laughter.]

We have copy of that up there for those of you who may not have had the opportunity to see it.

That is the way soldiers talk. And it speaks volumes.

Indeed, somewhere between 1990 with the start of Desert Storm/Desert Shield and today, America's contract with its reserve component underwent a major modification. Certainly for the last decade, the Nation has been asking far more than one weekend a month from its reserve component, and those men and women who have answered the call have done so magnificently.

We are at war—plain and simple. Some would say that such circumstances are exactly why we have a reserve component, and it is the circumstance that most reservists should have expected to face when they volunteered.

But the new reality is that this war demands more from the reserve components than previous conflicts.

Take just one metric: During Desert Shield/Desert Storm, mobilization tours averaged—averaged—156 days; during Kosovo, Bosnia and Haiti, about 200 days; and during Noble Eagle, Enduring Freedom, Iraqi Freedom, 319 days, average.

Moreover, during Desert Storm, reserve components were called, went to war and then came home. Today in the near term, 100,000 to 150,000 reserve component personnel will be mobilized annually for extended periods to sustain troop levels in Iraq and Afghanistan.

The longer-term planning metric is that each reserve component member can expect to be mobilized at least once every five years, if not more frequently for periods of up to a year or longer.

That is a far cry from one weekend a month.

These are fundamental changes and we must pay attention to their implications. Today's hearing is part of the effort by this subcommittee to better understand not only the stress being experienced by these reserve components, but also to examine what is being done and what should be done to sustain the viability of the reserve component in general.

Before I introduce our first panel of witnesses, let me yield to the ranking member, a gentleman who has been a leader on these issues and has been a great partner in this subcommittee effort, the gentleman from Arkansas, Dr. Snyder.

[The prepared statement of Mr. McHugh can be found in the Appendix on page 1207.]

#### **STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, RANKING MEMBER, TOTAL FORCE SUBCOMMITTEE**

Dr. SNYDER. Thank you, Mr. Chairman. Thank you for your efforts on behalf of our men and women in uniform.

I think this hearing is particularly timely today. We not only have increased operational demands but also transformational demands which has impact on our Reserve Forces.

And it is not just due to what has been going on in the last couple of years. We have known since 1991 that we have had increased expectations from our Guard and Reserve Forces.

In fact, in Kosovo and Bosnia and operations are sustained today by Guard and Reserve Forces. And these demands don't seem to be diminishing anytime soon. I think that any reasonable observer ex-

pects that we will see this increased operational tempo on our Reserve Forces and our entire military for the foreseeable future.

We also have questions about the medical and dental arrangements of our troops as they come in. And the medical stories that came out of Fort Stewart were very concerning for a lot of members. I know it was for the military also.

We look forward to hearing your perspective on that.

Mr. Chairman, let me thank you once again for having this hearing.

I thank the gentleman, and I look forward to your testimony and your response to questions.

[The prepared statement of Dr. Snyder can be found in the Appendix on page 1213.]

Mr. MCHUGH. I thank the gentleman again for his commitment to these issues across the board.

Before we begin, let me ask unanimous consent that two statements be entered into the record of this hearing, first the statement from the Air Force Sergeants Association and also a statement from the Naval Reserve Association. Without objection that will be so ordered.

[The information referred to can be found in the Appendix on pages 1465 and 1471.]

Mr. MCHUGH. I welcome, as I said earlier, our panel of three witnesses, three distinguished gentlemen who certainly have a very unique, very professional and very important perspective on the questions that Vic Snyder and I have just tried to outline in general terms.

Perspectives of the Reserves Forces Policy Board as well as the views of the associations representing both the Reserves and the National Guard, and I would like to introduce the Honorable Albert C. Zapanta who is the chairman of the Reserve Forces Policy Board.

Welcome, sir.

Also we are honored to be joined by Major General Douglas Burnett, United States Air Force, Adjutants General Association of the United States, and he is also the adjutant general of the great state of Florida, National Guard.

Welcome, General.

And also Major General Robert McIntosh, United States Air Force Reserve, retired executive director of the Reserve Officers Association (ROA) of the United States.

Welcome to you.

This is the first opportunity for two of you to testify before this committee, although General McIntosh has appeared before us in his capacity as the reserve component adviser of the chairman of the Joint Chiefs in the past.

But, General Burnett, today you are wearing two hats, as I mentioned: one as the representative of the Adjutants General Association and another as the adjutant general of Florida.

So that certainly gives him the broad as well as the micro, macro and micro, perspectives.

And, Mr. Zapanta, you chair the congressionally mandated Reserve Forces Policy Board, which is designed to provide Congress with an independent view of matters pertaining to the reserve com-



ponent. Your perspective here today is certainly both welcomed and anticipated.

To all three of you, we look forward to your testimony.

It may be appropriate in the order in which I introduce you, Mr. Zapanta, if you would like to start, our attention is yours, sir.

**STATEMENT OF HON. ALBERT C. ZAPANTA, CHAIRMAN,  
RESERVE FORCES POLICY BOARD**

Mr. ZAPANTA. Thank you, Chairman McHugh, Congressman Snyder and members of the subcommittee. It is an honor to testify before you today on behalf of the Reserve Forces Policy Board and the extraordinary men and women who serve the reserve component.

My remarks will focus on several strategic areas and issues the board has addressed, or has interest, and that affect the reserve component today and will continue to affect them in the future.

I request that my written statement be entered in the record.

Mr. MCHUGH. Without objection, so ordered.

And if I may intrude for one moment, Mr. Zapanta, I would note to all the witnesses on both the first and second panel, without objection all of your testimony in its entirety be entered into the record.

Without objection, so ordered.

Thank you, sir.

Mr. ZAPANTA. Thank you, Mr. Chairman.

Pursuant to Title 10, the board is the principal policy adviser to the Secretary of Defense on all matters relating to reserve component and, as required, to prepare an annual report on reserve programs and other matters considered by the board for transmission to the President and Congress.

The board consists of 24 members that include myself as the statutory chairman, the assistant service secretaries for Manpower Reserve Affairs, flag and general officers from the active and Reserve Forces and the Coast Guard.

Congress has repeatedly stated its desire that the board act independently in its advisory and reporting roles, a position the board steadfastly maintains and feels is more important now than at any time due to the increased reliance on the RC.

We meet at least quarterly, conduct field visits to talk with combatant commanders and our mobilized Guard and Reserve personnel and conduct Citizen Patriot Forums with business, community leaders and families of deployed RC members.

Our statutorily required annual report is in final coordination and should be to the Secretary of Defense for transmission to the President and Congress prior to our April 20th board meeting.

In the past two years, we have visited all nine unified commands to include Guard and Reserve personnel who are serving with utmost professionalism and esprit de corps in the United States, Puerto Rico, Guantanamo Bay, Bosnia, Kosovo, Korea, and we plan to visit Kuwait, Iraq and Afghanistan in the very near future.

We gather significant data on the mobilization issues during these visits as well as collect the data from various published reports.

We have learned we must develop fair and equitable compensation, entitlements and benefit packages, including special pays,



basic allowance for housing and travel per diem entitlements, improve pre-mobilization medical and dental screening and care, improve personnel and pay systems immediately, and develop a joint automated system to track and manage mobilized RC members from activation through demobilization.

Equipment modernization modification and replacement must be on par with the active components (AC).

Consideration should be given to legislative changes that provide for greater flexibility in allowing the services to accomplish pre-mobilization training and utilization of RC volunteers which when coupled with force rebalancing and continuation of service initiative will serve to greatly improve predictability for the RC members, their families and employers.

An often-heard comment from our mobilized RC members has been one of inequitable treatment such as billeting personal protective equipment and organizational clothing. This second-class treatment shows a level of insensitivity that must be changed to ensure our Guard and Reserve members serve equally with their active duty peers.

We are asking our RC members to do more, often at the expense of their families and employers. The old paradigm of one weekend per month and two weeks per year is no longer the standard for many of our RC members.

If we continue to utilize RC members at the pace we are today and expect to continue to meet retention or recruiting goals, then we must develop the best possible compensation and sensitize our leadership to ensure fair and equitable treatment.

Transformation and rebalancing between the active and the reserve components, and within the RC, is occurring in areas of civil affairs, military police, law enforcement, installation and port security forces, air crews and intelligence officers.

As it relates to stability operations, this is an area where creative ideas might provide solutions for the future.

One idea that arose from our 2003 symposium was the concept of a universal command, an RC organization containing military and civilian volunteers.

Our January conference on stability operations yielded the need for quick response force that reflects modularity and flexibility.

Our upcoming May symposium will focus on rebalancing, stabilization operations and homeland defense.

With our increasing reliance on our RC forces as they serve to fight the Global War on Terrorism, it has never been more important for the board, with our 52 years of history, to provide independent, unvarnished policy advice to the Secretary of Defense and continue to provide our annual report to the President and Congress.

Mr. Chairman, thank you for your sincere interest in this topic and your willingness to address these difficult issues. We remain steadfast in our mission and stand ready to serve.

I would be pleased to answer any questions.

Thank you.

[The prepared statement of Mr. Zapanta can be found in the Appendix on page 1217.]

Mr. MCHUGH. Thank you, sir. I deeply appreciate your willingness, and your fellow members of the Reserve Forces Policy Board, to dedicate yourselves to these issues.

I know the Secretary of Defense appreciates your input, and we deeply value your perspective as well.

Mr. ZAPANTA. Thank you.

Mr. MCHUGH. Next we have Major General Douglas Burnett, Adjutants General Association of the United States and adjutant general of the great state of Florida's National Guard.

Welcome, General.

**STATEMENT OF MAJ. GEN. DOUGLAS BURNETT, U.S. AIR FORCE, ADJUTANTS GENERAL ASSOCIATION OF THE UNITED STATES AND ADJUTANT GENERAL FLORIDA NATIONAL GUARD**

General BURNETT. Thank you, and good afternoon.

Mr. MCHUGH. How has the weather been down there? All right?

General BURNETT. Sir.

Mr. MCHUGH. Weather in Florida been okay?

General BURNETT. Yes, sir, it is beautiful. A little warmer than here but we have our cold moments as well.

Mr. MCHUGH. I am from southern Canada and I will show you cold. [Laughter.]

Come visit us at Fort Drum. But I understand what you are saying.

We are happy you are here. Thank you very much.

General BURNETT. Yes, sir. And, Mr. Chairman, I am honored to be here today.

Congressman Snyder and members of the subcommittee, thank you for this invitation to appear before your committee. I know you are deeply committed to national security and have been very supportive of the National Guard, and not only the National Guard as a necessary and capable force, but our soldiers and certainly the well-being of their families as well. We thank you for that.

As you said, today I speak on behalf of the Adjutants General Association of the United States and the adjutant general of Florida.

The National Guard has a long and proud history in its provision of citizen soldiers and airmen to the defense of our nation. We are equally proud of the superb job Guardsmen across this country have done in their state missions as well.

We have truly evolved from a force in reserve to a force in being. In fact, in the last 15 years, we have been wherever the active Army is or wherever the active Air Force was deployed.

As you know, the events of September 11th dramatically increased our operational tempo, and for the most part, that operational tempo continues.

And I am proud to say we have made our readiness commitments to the Army and the Air Force and to our respective governors.

Within minutes of the attack on 9/11, combat-loaded F-15 jet fighters from the Florida Air Guard's 125th Fighter Wing were flying combat air patrols over the southeastern United States, flying with other Air Guard fighters, tankers and support operations across the country as other Air Guard units throughout the country were responding quickly to enhance our security posture.

In the months following September 11th, we activated National Guard formations to protect airports, seaports and other potential terrorist target sites.

In February 2002, the Florida Army Guard began mobilizing and deploying units for action in Afghanistan. And then the big one came on December 26th, 2002, the 53rd Infantry Brigade units were activated for Operation Iraqi Freedom.

Ten days later, elements of the 53rd Infantry Brigade arrived at mobilization station at Fort Stewart, Georgia—and that was a short time frame of 10 days; we usually use a 30-day guidance.

We were proud to do that.

The 3rd Battalion arrived in January. These units were among the first conventional forces into Iraq.

During the ground campaign, these elements of the 53rd Infantry Brigade moved forward with the 3rd ID and 1st Marine Expeditionary Force. In the months which followed, we conducted security and stabilizing operations in Baghdad and Ar Ramadi and later on across Iraq.

The Florida National Guard has also provided units for operation in the Philippines, Guantanamo Bay, Kosovo and Bosnia. We have provided combat-ready units for the United States Army and Air Force through an emphasis on standards and readiness.

The Florida National Guard's mobilization and deployment and operational tempo is similar to that of that of National Guard forces in other states and territories.

In the past three years, more than 132,000 Florida National Guard members have been activated for Federal duty. Tragically, more than 60 Guardsmen gave their lives in defense of freedom. And today we still have more than 60,000 Guardsmen on active duty.

By any measure, valorous awards, unit citations and commanders' reports, the contribution of National Guard soldiers and airmen has been truly extraordinary.

Despite our commitment to readiness and preparation for mobilization, these deployments produced a variety of stresses. In many cases family members were not prepared for the quick call-up or the lengthy separation of their loved ones.

Employers of guard members, our unsung heroes, were forced to act quickly to fill vacancies.

The mobilization itself identified both policy and procedural disconnects.

For the most part, these challenges have been resolved through close cooperation with the National Guard bureau and the military departments.

Senior Army leaders, like General Larry Ellis, commander of U.S. Forces Command; Lieutenant General Joe Inge, 1st Army commander; and the training support brigade commander, so essential to our training success, like Colonel Mace Crowe has been instrumental in ensuring the adaptive National Guard system continues to evolve to meet the needs of our soldiers and their families.

My experience and the experience of other adjutants generals have identified challenges that must be addressed. Let me briefly highlight five.



First, we must resource Army National Guard formations at the level the Army expects these units to meet at mobilization. In most cases, this is C-1 or C-2. We are funded at C-3 for training. And that is something every adjutant general will want me to tell you today.

And I can't emphasize enough, sir, training must be resourced, that is, funded at the C-1 level to include funding for exercises that enhances the collective training experience.

We miss significant opportunities to train with the current funding level.

Second, we must remove measures which force guard units into cross-leveling soldiers from one unit to another during mobilization. This creates a significant amount of turbulence and chaos. We are willing to do it, but it can be done more efficiently.

Third, recent mobilizations have again demonstrated the need for active and reserve component modernization processes to be concurrent with the active forces.

Our trucks in the guard, for the most part, are not in the Army inventory. We also need up-armored Humvees that are organic to Guard units. In fact, our Humvees won't even accept, for the most part, the up-armored kits because they are the older models.

Full power manning: This is very critical to readiness. We must improve to 100 percent of the requirement for full-time manning in the Army National Guard.

The Air Guard is funded at 100 percent of their requirement. The Army guard is only funded at 58 percent of the same validated requirement. There is almost a direct result on readiness for each additional full-time person we hire.

And, finally, reservists, their family members and employers require predictable information in deployment and return schedules. The one-year-boots-on-the-ground policy, which under current scenarios means mobilization for almost 18 months, will be a serious challenge for future retention as well as recruiting.

We should look for options and strength objectives that will result in the maximum of one year mobilization. This will require better investment and up-front training and a close adherence to what I call integrity of process.

The policy, one-year-boots-on-the-ground, also serves as a disincentive to be efficient in post-mobilization training in moving the troops to and particularly from theater.

This is the subject matter of a very complex discussion. But regardless of the outcome of the debate, the real vote regarding retention and recruitment will be in hometown USA and in our armories.

I look forward to your questions.

[The prepared statement of General Burnett can be found in the Appendix on page 1243.]

Mr. McHUGH. Thank you very much, General. Again, welcome. We appreciate you being here and your testimony as well.

Next we have Major General Robert McIntosh, United States Air Force Reserve, retired, executive director, Reserve Officers Association.

General.



**STATEMENT OF MAJ. GEN. ROBERT A. MCINTOSH, U.S. AIR FORCE (RET.), EXECUTIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES**

General MCINTOSH. Thank you, Mr. Chairman.

The 75,000 members of the Reserve Officers Association, from all five branches of the armed forces, thank you for this opportunity to speak today.

As you and Congressman Snyder said so well in your remarks, many of America's citizen warriors are continually being asked to repair their disruptive civilian lives after demobilization and then return to military duty on a repetitive basis.

Our nation has experienced similar challenges in the past. In the postwar 1940's, Congress passed needed legislation to provide benefits for returning soldiers and sailors to ease their transition to civilian life and to ensure a higher state of reserve readiness for when America needed to use its citizen military in the future.

Today, we are fighting another global war. And once again, it is necessary to update policies and to take legislative actions.

The focus now is how to retain and recruit the brightest and best citizen soldiers, sailors, airmen, Marines and Coast Guardsmen.

As we know, sustaining an all volunteer force requires different actions than those needed to maintain yesteryear's drafted force. Despite the work to date by the Congress and the Department of Defense (DoD), much remains to be done to ensure reserve and National Guard recruiting and retention remain healthy in the future.

We must preserve one of America's greatest resources: a skilled and dedicated citizen military.

Several important initiatives would enable our nation's reserve components to optimize their support of national defense and national security.

For your consideration, ROA's formal written testimony includes a detailed description of several immediate changes and improvements.

The following is a partial list of these initiatives: full health care options for selective Reserve and their families; tax credit for employers; a formal National Guard and Reserve equipment appropriations process; reducing the antiquated age 60 Reserve retirement eligibility criteria; improving Montgomery GI Bill provisions; repairing the 130th rule for special incentive and skill pay by making the compensation qualification-based; increasing re-enlistment bonuses; and repairing the unfair degradation of survivor benefits at age 62.

Many of these initiatives not only affect reserve readiness and the individual reservist, but also impact spouses and families. Family considerations are having a remarkable influence on whether citizen soldiers choose to remain in the military.

Regarding the transformation and force structure rebalancing initiatives by the services and DOD, the Reserve Officers Association supports these efforts in concept. But at the same time, we have significant concerns.

We urge careful consideration and understanding of the attributes of a properly balanced total force. We worry that the rush to control personnel costs could lead to flawed force structure planning.

We acknowledge that some changes in structure and mission assignment are appropriate. However, the overall cost effectiveness of having a robust and experienced reserve component force to complement a more expensive regular force must be considered carefully before we eliminate or shift significant numbers of reserve component billets.

Even after factoring into the budget the cost of TRICARE eligibility, for the selective reserve and their families and the cost of better incentive and retirement programs, citizen soldiers remain a highly cost-effective national asset.

Additionally, the bond between the U.S. military and the citizens who live in America's communities is strengthened by the visible mobilization of neighbors and fellow workers, reservists and National Guardsmen.

The continuing mobilization of citizen soldiers is a clear reminder that we are at war and heightens national commitment and resolve across America, particularly in a long and difficult struggle.

I look forward to answering your questions and again thank you for your invitation to speak today.

[The prepared statement of General McIntosh can be found in the Appendix on page 1260.]

Mr. MCHUGH. Thank you very much, General.

Thank you gentlemen all. As I have said several times, we appreciate your being here and appreciate deeply your perspective.

Back in December of 2002, I had the honor of meeting a congressional delegation upstream of the potential Iraq incursion. And the purpose of that was exclusively to meet with Guard and reservists, to try to get a measure of individuals' in the field attitude and perspective toward this new paradigm.

We took the commanding officers out of the room and had some very, very frank discussion.

Honestly, what we heard that day to me was disturbing. We heard about individuals—and some of this was reflected in the comments that I heard in your testimony and I have read in your testimony—comments about being placed in jobs for which they didn't train, not the reason they joined; inequitable treatment based on a variety of measurements; the uncertainty of deployment, et cetera, et cetera, et cetera—you know these better than I do.

And that was 2002.

Since that time I have been to Iraq twice. I just got back from Afghanistan a number of weeks ago. And everywhere I went, of course, we saw Guard and reservists and heard much of the same: No hesitation about serving, no qualms about the sacrifice they were making, but concerned about this new reality that I, in part, tried to describe in my opening statement.

Those are anecdotal, I suppose. But as we come back to the United States and we hear from other individuals and organizations, which you gentlemen represent, we hear similar concerns.

And yet, from the Department of Defense, we are told that by their measurements of stress, in the high-demand/low-density jobs you have moderate stress, and the rest of force at best you have low stress.

And if you look at recruiting and retention as a snapshot of the moment, there are no signposts that things are in jeopardy.

My question to you to start off is: How do you feel about the way in which the department and the services measure those stresses? Are we measuring the right things? Are we measuring enough?

Do we indeed have an adequate way in which we look at the stresses on the families? We just saw in the past week a poll, if you will, a survey conducted by The Washington Post on families of the 10 most deployed bases, not guard and reserve exclusively. They are talking to the families.

Then there were some good things in there, but some distress and things, as well.

Do we need to develop new metrics? Or are we in a pretty positive position with respect to how we are measuring the future right now with respect to recruitment and retention?

General.

General BURNETT. That was my question, sir.

Mr. McHUGH. Well, it was all three of you. You are in uniform. Mr. Zapanta.

Mr. ZAPANTA. Mr. Chairman, I agree 100 percent that there is that sensitivity, especially family members.

One of the things that we have done with the RPV is, when we go out to visit the various locations, and combat command, we actually take an afternoon and meet with the whole board and what we call stakeholders, what we call our Citizen Patriot Forum. They are first responders, they are businesses—small, medium-sized, large—families of deployed members, to really try to get a sense of and really listen so that we can feed it into our process.

And, yes, there is stress. There is always stress when you are in a combat situation.

Are we handling it adequately? I think we can always do better. But I do feel, as you will probably hear it from the chiefs, that the services are very, very cognizant of it, and they are focusing on it.

People in leadership are trying to get something done about it. And I think you are going to see some of that action.

So, stress is there. It will be there. There are varying degrees of it.

Are we handling it? I think we are. And I think the department knows that we have to do that, so I am comfortable in saying that.

Can we do better? Yes. We always can.

Mr. McHUGH. Thank you, sir.

General.

General BURNETT. Mr. Chairman, if I may—I think when we talk about stress, it boils down to some basic concepts: It is how the soldiers see we treat them and it is how we see they trust us.

Those soldiers in that picture behind us, in my view, are all four-star generals. We owe them the best we can do.

As Congressman Young has said, we owe them the best equipment we can get, not necessarily the equipment we can afford, but the best.

The stress on our National Guard soldiers has been significant. I will go back to what General Shinseki said: "Soldiering is an issue of the heart."



And I think at the beginning of the day, they come out, they have been called, sir. But during that day, the stresses that come their way, whether they have the correct body armor or they have other things they need, like the sure-fire lights on their weapons, which I saw many of them buy, and they had duct tape for the weapon barrel when they came back.

It is those kinds of things that we send and say, "Yes, this great nation is doing all we can for you." To me, it is the price of doing business in a democracy.

It is expensive to do this stuff. But it protects this great land.

I think that as we huddle together and look at lessons learned, it is important that we look at things like post-mobilization, post-traumatic-stress syndrome, because I don't really see the kind of sense of urgency to look at that.

Everyday I get up and think about our 5,200 soldiers that mobilized in Florida. And, certainly, the almost 2,000 that have just come back as infantry guys from Iraq, how are they dealing with their families? How are they dealing with these disorders that we know are out there, from lessons learned in Vietnam and certainly even Desert Storm.

I think we need to look more at what we should be doing daily and what our health care providers, particularly the Veterans Affairs (VA), is capable of doing. But that takes funding.

I think that will relieve a lot of stress.

Mr. MCHUGH. Thank you.

General McIntosh.

General MCINTOSH. First, I would like to start by saying that we appreciate the efforts by the services and DOD relative to fixing some pay problems and some other processing problems in mobilization and demobilization.

There has been a hard effort by the leaders from the Pentagon to do that, and I think it should be recognized. And it certainly is, by our association, on the record.

Certainly, that being said, what is the manifestation of stress? Will it be a big exodus of the reserve components eventually?

What we feel, from talking to our members, is initially there will not be because people are proud of their service. They know the country is engaged in a long war. And they know that they signed up, over the long haul, to win that war.

That being said, the application of stop loss, the decisions that will be made more by the spouse and family once a soldier gets away from the unit and faces an employer who has had to bring on temporary help, the stop loss coming off at that time, those problems with family, employers, may manifest itself down the road.

And so what our members are really saying is that "there are certain things you can do for us to ensure that you retain us and you can recruit us in droves."

And the biggest one they are saying is health care. And not necessarily TRICARE, cross or selective reserve, but some options in terms of either using TRICARE as a selective reservist or having an offset to their medical insurance relative to some kind of governmental problem.



The second thing they are talking about is the stress on their employers. Guardsmen and reservists in our association are very sympathetic to medium- and small-sized employers. And certainly the tax credit issue, we think, would indirectly remove that stress.

Talking about retention of the family: If TRICARE was available for most guardsmen and reservists, and it was time for the guardsmen and reservists to decide to get out, it would be the spouse that would say: "You are not going to get out because little Johnny is due a heart operation. And you remember you negotiated your salary with your boss so you wouldn't have any medical insurance. So we, by golly, are not going to leave the reserve component. You keep that uniform on and keep serving."

Now, that is anecdotal. But we think that is how important the medical issue is also.

Small things like the GI bill would relieve stress. If we could let reservists use the GI bill while they are mobilized, if we would change from six to four years, their obligation, if they do use it, and if we would not start their clock on the GI bill until they use it the first time, these are all things that would help reservists and guardsmen handle the stress, live with the stress, because stress is a part of being a good soldier, and they understand that.

Mr. McHUGH. Thank you, sir.

I couldn't agree more that the kinds of benefits that you mentioned, General McIntosh, are important. And we have made a very meager but I think an important start on that, and we need to continue.

What I do worry about, though, is that at the end of the day, are benefits enough to sustain a guard and reserve that is an integral part of the force?

I mentioned the new policy of deployment and activation once every five years. I think that is a minimum.

Can we find enough good men and women? And can we find enough good men and women who are employed by meaningful, or I should say sensitive employers, that are willing to do that.

We certainly need to ensure that that is the case.

Let me ask it this way: Do we measure today the stress in the attitudes of the families and the employers in adequate ways?

You mentioned, General McIntosh, having anecdotal information. That is what I have. That is all I have. And I know the services take surveys.

But are you satisfied that when we talk about stress on the force, the current matrices are sufficient to give us an accurate picture?

General McINTOSH. Can I address that?

Mr. McHUGH. Absolutely.

General McINTOSH. First of all, the answer is, no, they are not adequate, but it is not because of a Herculean effort by the department to try to listen to the soldiers. It is just that we are new to this game, and so we need to come up with certainly better ways of measuring it.

One of the things that may be overlooked in the restructuring and the rebalancing—maybe it is not—is that if you take civil affairs, for example, or another kind of high-demand-type mission, if we in our restructure put enough force structure, robust enough force structure, in those areas that we know that are going to be

used in this new kind of warfare so that reservists and guardsmen can rotate through six-month deployments, four-month deployments, eight-month deployments, and know with some predictability that they have somebody waiting back home to replace them in eight months and it won't be their turn to go again for two or three years, that is the kind of force structure analysis that probably is going on—I am not aware of it—but that we really ought to look at to relieve some of this stress.

Mr. McHUGH. Thank you.

Mr. Zapanta.

Mr. ZAPANTA. Mr. Chairman, I agree with General McIntosh.

One of the things we found both with our board members as well as our meetings with the RC chiefs is the whole area of predictability so that the rotation is critical because not only employers but family members can plan.

One of the tough things that happened in the mobilization this time was, many times we had a short alert and people are mobilized quickly.

I think lessons have been learned, and I see a real movement toward trying to—and that is a stress factor—to try to relieve that nonpredictability or the ability for people to really plan their life ahead.

And it also goes to not just the family but that employer who has really looked to support. And that is one of the things we have heard every time we have gone out in public.

Mr. McHUGH. Thank you.

General.

General BURNETT. Mr. Chairman, if I may—in Florida we tried to look last year at what we thought would be coming this year as our soldiers returned. And as we did that, I went out to 10 cities in Florida and visited with the families of our mobilized soldiers and listened to their concerns, took specialists with me and a lot more things that we fixed pretty readily: pay issues, those kinds of things—which is another thing we need to look at, by the way. We need to advance the fielding of the forward comparable pay system for the Army National Guards. We can get this pay thing right. It needs some work.

But any rate, the thing that I brought back from these families was essentially this: When you are gone from home, beyond that major concern—and I am just bringing a few reports, sir. I don't have the ability to analyze that data. But I can tell you, that was a common threat. And I spent several hours in each city with these families.

I have also chartered a blue ribbon panel chaired by Dr. Frankie Godwin, who is a psychologist, to look at what we see the requirements for family readiness programs in a post-mobilization situation as these soldiers come home, and to look at stresses on the force, the range of things that has been discussed here this morning.

We have also contracted with some graduate students at University of Central Florida to help us with data collection so we can come up with some meaningful statistical data that is asked at the right time.

I saw the data that was collected by Stars and Stripes, and I am not so sure, sir, that taking a pulse of morale in a combat zone where soldiers have been eating Meals Ready to Eat (MREs) for three months and going through some tough times, sleeping in sand in the night, gives you an honest figure.

I guess that, not being delicate, be like asking your wife halfway through labor about having another child. It is a good question; I don't think it is the right time.

And I think we have to look at those things.

And, sir, I think this panel will give us some good information. I will be glad to forward that to you. It should be forthcoming in the next few weeks.

Mr. MCHUGH. Yes, we would appreciate that very much.

Well, gentlemen, thank for your responses.

Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman.

I want to quote, if I might, from Secretary Charles Abell, who testified here a week ago. It actually got some press play over the weekend.

We had asked him what kinds of things keeps him up at night over personnel issues. And I just want to read part of what he said and then have you all respond to it.

He said, "I worry about the sweep of compensation of benefits that come, and I worry from the perspective that you and your colleagues are very generous to our folks and in most cases our folks deserve everything that you give them.

"However, I do get worried that it is possible to create a force that is too expensive for the nation, especially when it comes to programs that are essentially deferred compensation, or when the benefits accrue to only those who no longer serve.

"I worry about the cost of that and what that does to our labor costs within the Department of Defense."

I don't know if you saw his comments in the paper or not. But you all have, as one of you mentioned, you have given a very detailed account of changes that you think we ought to make or consider making. I think most of them would cost some additional funds, which is all right. We are going to do what we have to do.

But what are your thoughts about that? I thought it was a very candid comment that he made.

Just go down the line, Mr. Zapanta?

Mr. ZAPANTA. Well, Mr. Snyder, I can tell you that I know the department, especially within the services, are looking at the 30 days prior, and I think it is 180 days after, to try to ensure that as our RC members are brought on active duty that those kinds of issues are keeping them inside the, I guess, the scopes of the tracking of some of the areas that not only bring on stress but the questions as to some of the inequities that some of our members have voiced.

But let me specifically say that I know the department, I know the secretaries of the various services are looking at it, they are dealing with it.

You and I both know that when a soldier, a sailor, Marine, airman or Coast Guard person stops their noise or their I think carping, then we have a problem. And I can tell you we saw it during



my 10 years in the two wars that I was part of. But at the end of the day, there is no question about the morale and the esprit de corps that is out there.

They just want to be sure that when they come home, that when their families are looking for the support that they are looking for, that it is there. And I think that is where the real connection is, and that is why we have been spending a lot of time listening to those families.

Dr. SNYDER. General Burnett.

General BURNETT. Dr. Snyder, as it relates to medical and dental, I think there is a direct effect on readiness, particularly with the dental piece.

Plenty of Americans don't have dental plans. We can tell you, in Florida our soldiers don't have benefit to those things.

General Schultz, the director of the Army National Guard, pushed out a lot of money for us to fix teeth before this started happening. We knew the mobilization was coming. For example, in Florida, last year we treated 260 soldiers that we knew were going to be mobilized at a cost of \$100,000—and that is in 2003.

So far in 2004, we treated 126 patients at a cost of \$41,000.

Now, that was a direct effect on readiness, because if they were category three—which means you are not going down range, you are not going to be deployed—then we had a great investment in readiness but yet we can't reap that investment.

So dental is huge when it affects readiness.

I can tell you that about 42 percent across the country of guardsmen have health insurance. Major General John Smith and Adjutant General Howe put this empirical data together. That has an effect too.

But dental is very much up front because it is, like, right now. And our soldiers have benefited from this readiness issue General Schultz has very well addressed.

I think it is important to our soldiers and their families.

Dr. SNYDER. So, if I hear what you are saying, what you are saying is, yes, there are things that cost money, but there is not cost in it coming down the line, they are expenses that we incur right now that we get an immediate benefit from.

General BURNETT. Yes, sir, it is an immediate benefit.

It is not something nice to have. I am addressing needs, not wants.

Dr. SNYDER. I understand.

General McIntosh.

General MCINTOSH. The affordability issue, I think can be spoken to by others in the other panel better than I, in terms of what capability a particular service gets from its guardsmen and reservists relative to a specific mission versus the percentage of that services budget that that guard and reserve organization spends. And you will find you rapidly go from 30, 40 to 100 percent capability for 8, 9, 10, 12 and 13 percent of the total budget.

So that makes the further obvious case that guardsmen and reserve are cost effective and very affordable.

If we create a guard and reserve that has fewer people in it because we cannot recruit and retain if we are not willing to spend money on medical readiness, on employer tax credits, on TRICARE,



then we will incur another cost of extensive turnover or continually to recruit non-prior service people who haven't been in and haven't been in the war zone and recycled numerous times.

So my answer to the affordability question is: We cannot afford not to do what it takes to keep the brightest and best citizen soldiers in our military.

Dr. SNYDER. General Burnett, have you been to Iraq?

General BURNETT. Yes, sir, Dr. Snyder, I visited Iraq in December, a few months ago.

Dr. SNYDER. Have you found as a tag that the number of times you would like to be able to go seems to be more than what DOD is actually able to work out for you to go visit your folks there?

General BURNETT. Yes, sir, I would like to go. I think my command sergeant major needs to go, and I also think my assistant adjutant general-Army needs to go.

I certainly respect the concern of having too much brass in the field, and I know that is also a warfighter concern as well.

But we need to be over there. It was the most rewarding aspect of my trip. To tell the truth, I wish I could have stayed with my soldiers till they came home, and I really feel that. I think it is very important to go see these things.

Dr. SNYDER. Yes, that was my impression too. And in fact, I had a personal conversation with Secretary Rumsfeld about that. But I see you guys as being different, the adjutant generals as being different. Because not only are you dealing with your troops that are over there, but you have the ones back home that may well be going. And then you have the folks back home that are related to the folks that over there, family members, and then you also are going to be dealing with these folks when they get back there.

And it seems to me, that somehow about a one visit a year or so is just not adequate for what you could get out of it. I don't know how to deal with those exactly.

But you mentioned medical holds, General Burnett, in your statement, or the problems you have had with people not being ready to go. Has the evolving policy on medical holds, has that resolved a lot of the cases that you had?

General BURNETT. Yes, sir. I am very impressed at what has been done at Fort Stewart. I can tell you that the Army, without question, did their usual thing of great leadership. Actions on the objective made a huge difference. The National Guard Bureau has been involved there too.

Florida had 107 non-deployable soldiers, which is about 2.2 percent of our 4,800. And that reflects favorably with about the three percent average that is running.

But medical hold is another piece of trust with the families and their soldiers. They watch what we are doing.

And I can tell you, this health organization, community-based health organization, which has been funded by the Congress I think for \$8 million or so is working. Are there better ways to do it? I don't know. But we have one of those 10 organizations in Florida, and we are managing the reserve component and National Guard, case managing, getting them appointments, following up. And follow-up is the key to everything in this business.

So we think that is coming along great. And honorable people have resolved most of that problem.

Dr. SNYDER. I think that is all I have for now, Mr. Chairman, thanks.

Mr. MCHUGH. I thank the gentleman.

The gentlelady from California, Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman.

And thank you, gentlemen, for being before us today, in particular, my good friend, Mr. Zapanta, good to see you today.

Mr. ZAPANTA. Good to see you, Congresswoman.

Ms. SANCHEZ. I, too, as the chairman, was concerned about The Washington Post article in this past weekend with respect to the survey taken and the families suggesting that their members won't be signing up again if they have a choice.

And you know, I am always struck by this, because I travel back and forth to California every week, and inadvertently I am always sitting next to somebody who is a reservist or on active duty. And whenever I ask them about signing up again, their answer is always, "Well, I would, but my wife won't take it anymore."

When I went to Iraq in December right before Christmas and I actually, you know, would talk to all of the generals, and they all said, "Morale is great, and our soldiers are doing a great job, and morale is great, morale is great."

And then when I got the soldiers all by themselves, they say, "You know, we can't wait to get out of here. Get us out of here, Congresswoman. This is a horrible place. There is not enough people here to help us. I am supposed to have six people in my unit and there is only two of us. We are working 17-hour days. We are working seven days a week. I am a reservist. What the heck am I am doing here? I didn't sign up for this, and I am never going to sign up again."

And so then, you know, we see the survey and I think it was Lieutenant General Hagenback who confirmed that the internal polls from the Army, in particular, looked the same way.

How big of problem do you all really think we are facing?

And I guess this would go straight to my good friend here: What do you really think? Are these polls reflective of a real crisis we have on our hands for the future?

Mr. ZAPANTA. I think it is a portend. In other words, it is something if we don't do certain things to try to stem that potential outflow, I think we are going to have an impact.

I think there are some things that need to be stated at this point about not just the stress but the retention and recruiting. We can do a lot of things that we aren't doing. You are going to hear it from the chiefs in particular that in fact it doesn't cost money.

It is leadership at that unit level. It is the kind of attention to listening to those troops, also listening to that family, that family support.

At the end of the day, Congresswoman, there is no doubt in my mind that if you treat them well and they know you are fair and they know they are getting paid just like the person next to them, whether they are active, reserve or guard, they are going to feel, then, pretty good about being there.

If they are not being treated that way, they are not happy. And did they not know that they were going to be there for a year?

You know, the one thing that I recall about Vietnam that was right is that we knew that when we went there we were there for one year, period, and that we just took that out of our lives.

And I think what we are seeing now, not only are we balancing, but how we transform mobilization is, we are trying to get to that rotation that gives us predictability. And again, I think you will hear that from the next panel.

But am I concerned? Sure I am.

Why? Well, I think I want to state it in the context that we are in a very different environment. We are in a Global War on Terror. We are not fighting a nation-state. We can't put our hand on that enemy. We can't end it next year or six months from now.

And so when you don't have that ability to kind of predict what you think the outcome will be, it puts a very, very questionable environment in place.

And so I think when you lay that on it, and if you look at some of the things we had to do quickly—and we did it well—and I say this unabashedly that we did well because we did it on the back of those soldiers, those reservists. And everybody really pushed and stretched and made it happen.

We have learned a lot.

And I think you are going to see that start to change, because as we go through the rebalancing, we are trying to not make the same mistake of what we may have done 10 years ago, to try to put too much structure in one type, whether civil affairs and reserve affairs, or reserve whatever it might be.

Ms. SANCHEZ. What do you think—

Mr. ZAPANTA. I don't have the number, though. To answer you directly, do I think it is going to be above 20 percent, because that seems to be kind of the number that the services are living with right now in retention. I don't know, but I can tell you I am worried about it.

And I think that is something that we need to look at and continue to look at.

Ms. SANCHEZ. You know, when I was out there, I was also out in Germany and met with a lot of the families whose soldiers were down in-theater. And they are pretty savvy, particularly these women are pretty savvy about, you know, "My guy has a particular Military Occupational Specialty (MOS). I am never going to see him again for the next five years."

I mean, no matter how much the general that was with me, you know, tried to deflect these things, these people are pretty savvy about what is going on. They know their soldiers are gone, and if they have a particular skill, until we fix this problem, they are going to be there and they are going to be there over and over again.

So I happen to think it is going to be a real concern for us with respect to retention if we don't get some of this under control.

What do you think is the most significant hardship? I mean, do you think it is financial difficulties? Do you think it is separation due to the length of deployment? Do you think it is because they



feel they are lied to? And they actually used those words, "We were lied to. They told us six months."

You know, I happened to be there at a time when people were into their second six months, and they were just beginning to feel the fact that they were going to be there now 18 months, let's say, in-theater.

So lie is a very good word that some of them used.

Do you think it is all the little extra things that happened to families, the lack of child care, for example, which was a piece of information when I was Germany that just hit me over and over again, was, "We don't have any child care" or "my wife is"—for the guys who were in the family and the wife was in the military.

What do you think? I am trying to figure out what is that we can do to make this better for them?

General MCINTOSH. If I may, Congresswoman, I think it is a combination of the things we have been talking about today.

What we hear from the families of our members that are deployed is, number one, medical care and the difficulty of getting it and sorting out the paperwork, et cetera.

Number two, medium and small employers putting pressure on people.

And then more isolated but evident are pay issues relative to pay stoppage, blips in the computer system, et cetera.

So I think it is a combination of all the things we have been talking about today.

I would like to say, this is not Desert Storm and Desert Shield. But I was in the command structure when people were waiting to come home from Desert Storm and Desert Shield, and they waited in the desert much longer than they thought they should, and we heard, "As soon as I get home, I am getting out." And when they came home, some of them did get out and some of them we didn't want to lose got out, but there were relatively few.

So I think we do have an issue. We do have something we need to pay attention to, but I do not think it is the 50 percent number we have been reading in the press.

General BURNETT. If I may, Mr. Chairman——

Mr. MCHUGH. Please.

General BURNETT. I would agree that one of the significant issues that we have as leaders is: What is the future about retention of these soldiers? And I can assure you, their wife, their family, those that are around have a lot to do with that vote.

And I am not qualified to give you an answer, ma'am, on the troop-to-task ratio. That is way over my pay grade.

But I will say this: I think soldiers sign up knowing it is going to be hard work. They know it is risky, they know it is tough, and they know the days are going to be long.

And they endure that because that is part of getting that job done. They are trained to do it, they want to go practice that leadership piece.

But as they are doing that, again, back to the core piece: How do we treat them? Not how we can treat them but how we do treat them.



Just like bringing our soldiers home, they can't be released from active duty expecting to get home in one day and eight days later here they come. That is not how you do that.

I was a commercial airline pilot. I am aware of how contract airlift works. And we need to seriously look at how we bring these soldiers home.

I was at Fort Stewart for nine days, and only expecting to be up there days, screening 850 soldiers. And I had 400 families up there waiting that period of time because these flights were delayed.

Now, that has been fixed. And I can give credit to General Handy at U.S. Transportation Command (TRANSCOM) and certainly General Dick Myers, the chairman, for working that.

But that should have never happened.

So it is things where as leaders we have opportunity to treat these soldiers and they will come back and say, "It was tough, but, man, those guys are looking after me."

So those kind of things that we can do it, and those aren't necessarily so costly. It has to do with having a passion for getting it right for our soldiers.

We, in Florida, put together five phases of walking these soldiers home. I think as a nation and state we missed this in Vietnam and maybe missed it Desert Storm because of the way we mobilize.

We have five phases. We greet the soldiers, every one, at the airplane at Hunter Army Air Field, shake their hand, select the senior leadership and VIP guests—elected officials, if you will.

Then back at Fort Stewart, Colonel Kidd's doing a superb job with that garrison there, welcoming soldiers home.

They come into the Army to the Army song, report from Iraq, families are jumping up and down—what an emotional moment. And I wish you could see one of those post-mobilization events done at Fort Stewart. It is class.

And then they come back into their armories in Florida with a police escort and streets are lined with kids with flags, "Thanks for what you have done."

We have now planned five phases of the huge welcome in five big cities in Florida. All around, these will be attended by Governor Bush, who is committed to every one, the lieutenant governor, even the very senior leadership in this city will be down there for some of those events to say, "Thanks for what you did."

Those are the kind of things we do that I think will make a difference. And certainly these things we heard from General McIntosh and Mr. Zapanta, we need the resource.

But there is some things we can do that are just good common sense.

Mr. ZAPANTA. Well, let me ask you also directly on something that we are working on: there is the Bankers Association and Mortgage Bankers that are looking for these trained reservists and guards that are coming back, and they are from the inner cities, whether it is an individual that just has a high school degree, but they are willing to train them and put them into either banks or into lending institutions so that they can continue on a path to have a good job.

But guess what? If we do it in the reserve and guards as part of a process that tries to help them, not when they come back and,

"Thank you for time. See you in a month for your weekend drill," but to try to help them back into society.

And it doesn't cost money. I mean, I have seen employers in these associations that we have been dealing with that basically are looking to do it.

And so that is an area that we are now looking at to see how we can help.

So I think it is continuing that link beyond when they get back.

Ms. SANCHEZ. Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentlelady.

Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman.

I love what you said about Fort Stewart, because I was at Pope Air Force Base on Saturday morning when 241 all-Americans from 82nd Airborne returned, and I want to come see how they are doing at Bragg, how you get up to that level.

But we appreciate what is being done. Certainly it is not perfect. And the chairman has been very diligent in traveling the world in making sure that we are listening carefully.

Last week we had a great hearing, and we still have some work to do on track here for families of deployed spouses. But we are moving in that direction.

So from your perspective, would you just comment briefly on track here, anything we can do here to help that go forward in a more positive, more expeditious manner?

General MCINTOSH. Certainly, my mantra here today has been to talk about TRICARE across the selected reserve as an option for guardsmen and reservists.

I think we are aware of the huge price tag that has been put on that, due to various studies, if you did it across the guard and reserve.

But I think what is not appreciated is how you would cut down the turnover on the cost of retraining, and how readiness would be affected on the front end of a mobilization, giving our commanders many more options when asked to decide who they are going to deploy and how many units they have to collude together to get a combat-ready unit that have good teeth, for example.

We need to look seriously in the TRICARE area of doing everything we can do to ensure that the guardsmen and reservists are medically ready to go, and that we, the government, have footed that bill, and then once we tell them they are going, that their families are protected.

There has been a lot done in that area. You have done a lot. And that is very much appreciated.

But I think we need to go a step further. And it is fairly expensive. But I think it is time to consider the pros and cons of that.

Certainly our association says, TRICARE, across the selective reserve, as an option, with the premium paid by the guard and reserve family, is something we would appreciate a serious look at.

Mr. ZAPANTA. Let me address something, Congressman, that I think hopefully will bring some clarity to I think the question, which is a good question.

One of the real problems that we run into is obviously the budget. And when you start to look at health costs, of course that is going to be one that basically gets a lot of attention.

What we really are talking about is maybe approximately 30 percent or thereabout of our RC members that are being brought on active duty, mobilized, and many of those units, such as civil affairs and some of the Military Police (MP) units, are in a very fast Operation Tempo (OPTEMPO) rotation.

They need to be part of that TRICARE. But there may be 70 percent of the RC—by the way, it is also on the active side—that were not in the war, were not boots on the ground.

So how do we really manage it? How do we make the equity of the RC members that are on that mobilization and make sure that they have the same, equal compensation, same health packages, TRICARE, for their families of that active service?

Once they come out and come back to their reserve or guard unit, then that comes back into a different program. And that is where I think I know the department, that I think you are going hear from in the next panel, that is what we are trying to look at, that is where some of the studies.

And that is one the things I know you here in Congress are looking at.

How do we manage that process so that nobody falls in the crack?

Mr. HAYES. Thank you all.

Thanks, again, Mr. Chairman.

My point—and you have raised additional ones—when that mom, in the example of 4 o'clock in the morning with a young child with the croup, I want to be able to get to somebody and get help for that child. And that is so important.

Thank you all. Thanks particularly to the soldiers, the sailors, airmen, Marines that you serve.

Mr. MCHUGH. I thank the gentleman.

The gentleman from Tennessee, Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman. I appreciate your holding this important hearing today. Because I know all of us hear more about these issues back home probably than any other military issues.

I have a question about restructuring the guard, and perhaps these will be more appropriate for the next panel but I would like your insight if at all possible.

It seems to me that restructuring the guard and reserve may end up destructing a significant part of it. Perhaps that is good, but we don't know.

But I am wondering if you gentlemen have any information about how many National Guard battalion headquarters may disappear as a result of various restructuring proposals that are coming forward?

Mr. ZAPANTA. Mr. Cooper, I am going to punt to the gentlemen that are going to be right behind us because that is really their lane.

But to the more fundamental and broader part of your question is, the rebalancing in our estimation, what we are trying to be able to do, is get those kind of units that are not being utilized—some



of the heavy structure combat units, whether it is artillery or armor—into the areas where civil affairs, intelligence and some of the ones that are really on an OPTEMPO.

And they are doing that right now in such a way that you don't want to kill the structure so that you can't basically deploy what you have to deploy when you need it.

And so it is a combination of looking at that mission: What is the real capabilities?

The beauty of the guard and reserve—and I am going to get on my soapbox for a minute, if you don't mind, Mr. Chairman—the ability that the guard and reservists brings is that civilian-acquired skill that would cost us a heck of a lot of money if we try to keep it in the active, and that is the ability to reach back and bring those kind of individuals and that can come and take that six-months or a year out of their life—not just all about combat infantry units.

And so, answering your question, those are the kinds of things when we restructure—and I think you are going to hear it—that the RC is trying to put in place that we can give it the depth while at the same time not costing a big price tag.

Mr. COOPER. Thank you.

General BURNETT. Congressman Cooper, responding to your question about the battalions, again, I would defer for the most part to General Blum and Lieutenant General Schultz.

However, I would say this: As we restructure, I think it is important we have this TTHS account—transient, trainees, holdees and students. The Army Reserve has come out strong saying we should have this. The Army has it.

It gets into a question of how many people can we send downrange to do business? So if you have force structure here, and assigned strength here, when the Army calls us, this is what they see, this high level, and they say, "Come to the fight with this," and we say, "Well, hang on." I have between here and here to get there.

For example, sir, in Tennessee, I think you have 10,700, which is your force structure, and I think you have assigned 9,450. Well, when you start mobilizing some of those elements, you have to pull from here and there—for example, 11-Bravo is the infantry soldier—pull one from here to there that used to be an 11-Bravo is now doing something else, went forward for a promotion opportunity, but we have to pull them back.

So I think some of the plans I have heard, General Blum's advance, brings that down to where when they call us—we are assigned to have this, we are paid to have that, and if we recruit right, train right, all those things, I think it will happen.

Back to your question on battalions: It is very, very important to the National Guard and reserve component that we have promotion opportunity for leaders. Folks who are trained to lead want to lead at the next level. It is not about rank or pay grade. It is all about responsibility and accountability in stepping up and making a difference to those that follow.

So if we don't have the battalion headquarters and brigade headquarters, we are at promotional opportunity to lead at the next step, the level is not there, I can assure you, we will have not good



formations, we will not have good companies, we won't have good battalions, because they don't see that mentoring piece to move up.

So I think we have to look closely as we work through this balancing act we talk about. And again, as I use the word, "integrity of process," it is very important that we don't build something that looks good maybe in one city, maybe looks good on paper, but doesn't fit that soldier down there in Armory USA, because that is what it is about.

Mr. COOPER. Any idea how many armories may close in individual counties? Because a lot of folks focus on that.

General BURNETT. Well, sir, that is something to look at. I know in Tennessee you have 109 armories, and I am certain that is a concern for folks.

This soldiering piece is all about small town America, armories all over this great nation that supply troops. And maybe one town can't supply 100 troops when you need them. Maybe they can supply 85, but it is that 85 that makes a difference in the fight. We have to look significantly—at that side of the equation we start balancing this act.

I think we can do that and still keep armories open, because it is an unbelievable important piece of our recruiting base, the communities which we serve, because we are citizen soldiers.

Mr. COOPER. If some of our troops are converted to other skills, who pays for that conversion? How does that work? Our only artillery battalion being retrained right now is MPs.

General BURNETT. I would have to let General Blum, General Schultz address that. Basically you pay for it. [Laughter.]

Mr. COOPER. So the taxpayers.

General BURNETT. Yes, sir.

Mr. ZAPANTA. The whole area of cross-leveling, Mr. Cooper, and the area of the retraining and all, the services are taking it out of hide, and I think they will tell you that.

But that is okay in the sense that they are trying to make sure that they can manage their resource and their ability to build those units to be able to deploy.

But, yes, it costs money, and we are talking about equipment as well to try to upgrade it. And so there is a price tag to it. I am sure they will bring it up.

Mr. COOPER. My last question, Mr. Chairman, with your indulgence, and perhaps other questions have covered this: The current utilization level of guard and reserve seems to be about 100,000.

General BURNETT. It is 132,000 that are mobilized today, sir.

Mr. COOPER. Does that apply total, or is that a spike? Is that a plateau? Is that a spike? It looks like for the foreseeable future that level, or about, is going to be necessary to supplement our active duty forces.

General BURNETT. Yes, I think we are going to see that for the foreseeable future. As the Army came down from 900,000 to 482,000, certainly our country knew that we would be using the National Guard, and I think our soldiers understand that, the distinction being between equal and equitable, which Dr. Snyder well pointed out in his January 21st testimony.

Equal is like the football stadium. I think you said, sir, 10 commodes in the men's bathroom and 10 commodes in the women's is

equal. But that is not equitable, because the line is going to be a long line outside the women's.

So I think we all in the military need to adopt that as equal and equitable, because it certainly applies to the guard and the reserve and the active.

And I think we have a great partnership, and I think honorable people are working to flatten out these spikes so we have some symmetry of knowing we are going to be mobilized.

Mr. COOPER. I thank the chair.

Mr. McHUGH. I thank the gentleman. He asked some very important questions.

Talk just a bit about medical hold, medical deployability. And you have all talked TRICARE for the guard and reserve, and certainly we have asked that certain steps be taken. It hasn't gone as far as some of us would like.

But let me just pose to you what we hear in return and let you comment upon it.

Statistically, 80 percent of the reserve Force has private health care insurance. So you have about a 20 percent universe out there that obviously is in need of assistance.

And yet, with 80 percent covered, we still have a very, very significant medical hold issue and nondeployability issue with respect to not being fit under medical conditions. Those 80 percent apparently are not utilizing their available health care coverage prior to deployments to keep up that level of deployability.

How would you respond to when we are told extending TRICARE across the board makes no sense either because 80 percent isn't using it to begin with? Can you give us any help there?

General McINTOSH. I would like to comment, Mr. Chairman.

Mr. McHUGH. General McIntosh.

General McINTOSH. The standard for deployment, T-1 issue and other issues is, as it should be, higher for a military person that it would for one of us walking the street and working our civilian jobs.

And that 80 percent is getting from their insurer, their insurance company, rights under that insurance to maintain a standard that is quite often lower than what the military would require on day one of mobilization.

So that is a reason for part of that disconnect. And I don't know if that is helpful or not.

If TRICARE were implemented at a shared-cost basis, and the instruction to the guards and reservists, when they signed up for TRICARE, that they would maintain T-2 status for their teeth and other health requirements, then the issue that you just brought up, I believe, Mr. Chairman, would go away very rapidly.

Mr. McHUGH. Thank you.

Mr. Zapanta.

Mr. ZAPANTA. Mr. Chairman, I think that if we can pre-screen before people are mobilized, that is going to help us. And I know that the services are doing much more of that.

Because it doesn't make any sense if you have a unit and you may have 10 percent that are going to be dropped out or put on medical hold.

Because when I was a young battalion commander out in California in the 40th Infantry Division, we could not use training time on a weekend to have our people go through medical or physical exams or anything.

But that is changing. And so if we can do that on the front end, we should have no question about bringing anybody on active duty if we already know what the problem is.

And so that is another kind of way to try to, I hope, maybe stem some of that.

What do we do with those individuals? That is another question I think that is at a service and command level.

Mr. MCHUGH. Thank you.

General BURNETT. If I might, Mr. Chairman?

Mr. MCHUGH. Yes, sir.

General BURNETT. Sir, I think we, again, as Mr. Zapanta very well said, we need to look at the front end on medicals. For example, on the Air National Guard side, annually you see a practitioner. You fill out a form, and that form has a matrix, and the matrix for what you get looked at is a function of age and other things—EKG at 35 and those kind of things. It is a preventive providing system, if you will.

However, on the Army side, you only get a actual eyes-on physical every five years. There is a Department of the Army form that the soldier fills out, but its administrative in nature, as I understand it, and of course, the idea is if a soldier be forthright, but everybody can't diagnose things, you know, onset of diabetes, those kinds of things.

But they fill this form out and at the end of five years, someone looks at them.

So in my view, we need to bring these two programs together and perhaps take a look at funding more medical practitioners in the guard, because we can recruit them, we certainly do in Florida, we are full up—so that we can get a better look at folks up front.

And, sir, I will have to go back and check my data because I know I must be wrong, but I don't think we are anywhere near 80 percent of our soldiers having medical care. And even if they have dental care, a lot of times it doesn't cover the bigger cost of things like oral surgery, which is huge, and that is where our big money has been spent.

Mr. MCHUGH. Well, two comments.

One, you are right, that is an average. My dad used to say, you know, if you have two one-legged farmers walking their cow to market, on average everybody has two legs. So there is a wide variance there.

The second thing is, I am not sure it does include dental. I think it is health insurance which, if you are in the Federal Government, for example, does not include dental.

So those are important differences.

Are we properly incentivizing unit commanders to make sure that their units are medically deployable? And if so, how are we doing that? And if not, what should we do?

General BURNETT. Well, it is something that we have looked at. And I can tell you, two years ago in Florida we went back and said, "Okay, what do we think is going to happen and what do we need



to do to be prepared for it?" So at the mobilization site, for the United States Army, you say, "Our states are ready to do business."

So we went back and started looking closely at a lot of things like that. And perhaps your message here is instructive; we need to go back and take maybe a closer look at how that works.

Certainly we are trying to do those things. But we have 39 days to train, and again, if we were funded C-3, if we had more full-time, I think we could overcome the concerns you have stated.

Mr. MCHUGH. Have you worked up a figure on the different costs between current C-3 funding and C-1? That is a big number and maybe you haven't.

General BURNETT. Sir, it is probably a huge number. The Air Force does fund the Air National Guard for training at that level. We can deploy from where we are right to the fight and get it done.

And I think, in all candor, sir, that is the one issue that—I have called five of six adjutant generals and they all said, "Doug, tell them: Got to fund training at C-1." And, sir, I don't know what the cost is.

Mr. MCHUGH. Thank you.

Mr. Zapanta.

General McIntosh, any comments on the incentivization of unit commanders' medical deployment?

General MCINTOSH. I think General Burnett hit the nail on the head. I think we need to look at that.

But, again, the front-end loading of having a vehicle where people can keep their teeth, for example, in deployable status is what the commanders will come back to us and ask for and say—if I had that, if our individuals had funding through a TRICARE program or some kind of program where they had supplementals or civilian insurance to stay combat-ready medically and didn't have to take it out of their pockets, then I, as the commander, could solve that overnight.

Mr. ZAPANTA. I think some of the services will tell you that they may have a physical exam that they have their individual members go through, but it may be only once every four or five years, not every year.

And I know they are looking at that.

So, what is the right tempo so that you are able to screen as you go through over a three- to five-year period?

But I do think on the front end we could really eliminate a lot of these problems.

Mr. MCHUGH. If my colleagues will bear with me, I had a general from my district, a guard general, who was also a physician. And he was talking about the good old days when they used to have teams of medical professionals who traveled to the various guard training sites, and I got the impression in between drills they conducted the physicals, that the main challenge for commanders and soldiers and sailors and airmen and Marines, Coast Guard, alike, is getting away to get that physical.

Can we meet that need of the training requirements and also the medical deployability examination requirements by perhaps going back to the good old days and having traveling units? It sounds to someone such as myself who probably is not as informed as I



should be that would not only work, it sounds cost-effective. Any thoughts on that?

Mr. ZAPANTA. I will take it from my day as an infantry—

Mr. MCHUGH. In your good old days.

Mr. ZAPANTA [continuing]. Guardsman. So in the old days, that was back in 1980.

We couldn't use training time to do that. And so what I did is quietly—because we were at Los Alamitos Armed Services Reserve Center, so you had all the services there. We had a general hospital there, and they were not getting enough training.

And so it was just happenstance that the head of the hospital and I had a chance to visit. And so he said, "Geez, can you send me some of your soldiers and we would love to be able to put them through our process so I can keep my people trained."

And so we would take a company at a time, or a platoon at a time, and try to just rotate them through while not degrading the training time. And that was, of course, when we were at that site.

Now, the other times as we were shooting out where it is now the National Training Center (NTC), you really don't have enough time to really impact or cut into your training. Because you are really trying to put a lot in that five-pound bag, so to speak.

So my sense is, it can be done, but it has to be done in a way where those local commanders can actually massage what they have to get done while at the same time give them that resources or time where they can go to that medical facility to get it done.

Can they travel? I mean, that is one that I think I am going to let my colleague here to the left answer that.

Mr. MCHUGH. The medical teams travel, not—

Mr. ZAPANTA. Oh, excuse me, I didn't hear you. I thought you meant the unit.

Mr. MCHUGH. No, the medical teams travel to the sites.

Mr. ZAPANTA. Oh, definitely.

Mr. MCHUGH. By the way, that was a benefit that the general-doctor, doctor-general had listed as well in that the medical teams get training they might not otherwise get.

Mr. ZAPANTA. Exactly.

Mr. MCHUGH. Thank you, sir.

General.

General BURNETT. Mr. Chairman, if I may—we are doing that, sir. In Florida, we use contract doctors, and this is a lot of bang for the buck. It really is.

In fact, one group had a huge van, and they had a cycle, a process, set up that was very efficient. I forget the numbers of soldiers they could process through that.

But I felt it was very cost-effective. Again, this is something the National Guard Bureau has funded for us, and it works very well.

On the Air Guard in Florida, we have a medical squadron in Jacksonville at the fighter wing, and eight other units, and they deploy a team, every drill weekend they go somewhere to one of my other eight units scattered around Florida—they are support and not flying units—and they take care of the immunizations, some of the dental. And a lot of that is done up front.

So I think we are being pretty efficient in that point. We need to better, though.

Mr. MCHUGH. I think that is great and I am glad to hear it. But it may not be necessary to buy it all. I mean, you have medical units in the guard that could come to you in the same way without the same costs. Is that not true?

General BURNETT. Yes, sir, we do. But with 10,500 Army soldiers in Florida, and I think I have 15 physicians and 15 physician assistants, it is spreading the peanut butter pretty thin to cover that base.

Mr. MCHUGH. Oh, they couldn't do it all.

The Georgians appreciate your promotion of peanuts. [Laughter.]

It couldn't do it all, I agree with you. But it could be a part of it, I would think.

General McIntosh, any comments?

General MCINTOSH. I guess back, Mr. Chairman, what I said before, I think certainly after this conflict or in the midst of correcting things that we have seen, we will take more seriously the medical screening up front.

But again, it comes back to an authorization funding issue relative to how that individual does those things they need to do to stay medically fit once they are identified with a shortcoming.

So I think it as a two-piece issue.

Mr. MCHUGH. Thank you, sir.

Gentlemen.

Dr. Snyder.

Dr. SNYDER. Mr. Chairman, I like that peanut butter metaphor because I like yours about legs and cows. I am still trying to sort that one out. [Laughter.]

Mr. MCHUGH. Well, you have four legs on the—

[Laughter.]

Dr. SNYDER. Just a couple of comments, really, in response.

You know, I was a family doctor before I got into this business. And it is interesting to me, you can't talk to anyone today, I don't think, anywhere that doesn't recognize that we have some real stresses and challenges in our health care system. I don't mean just for the military, I mean for every person.

And so all this conversation, what you all are talking about and what we are talking about, what your written statements are talking about, is you all are trying to solve the fact that American society as a whole has not solved the problem of health care.

And whether you talk to business or doctors or hospitals or consumer groups or folks representing the uninsured, we have a real challenge to the point now that you all are testifying here today that our health care system is affecting our military readiness. You think about that.

Your testimony here today—we are the richest country in the world, that our health care system is failing us at the national security level. I think that is a pretty profound statement. I hope your voices get heard a lot more.

My recollection—and I am not a military historian—but my recollection is that some of our commodities and nutrition programs began in one of the waves of drafting young men into the military when they were all coming in undernourished and they just had some real nutritional problems. It was an impetus for

doing something about it because it was affecting our military readiness.

And what you all are telling us today is, we have the same thing going on, probably not to the extent it was in the past. But I think that is a big constituency.

I think it is going to be a difficult challenge for us because we are trying to plug holes. I mean, you are going to have people coming in and out all the time. It is going to be a new group of people who are coming in. And your folks, sometimes they are going to have health insurance and sometimes they are not.

We say there are 43 million uninsured, my recollection is that impact over a year's time is something like 75 million people. Because on January, somebody is uninsured, they get a job in February and they do have health insurance, they got some pre-existing problems here but they get rid of that, but then somebody else has health insurance, they lose their job, they move to something else.

So I think it is very difficult for everybody in this room, as smart as you all are, to solve this problem when we haven't solved it as country.

The second thing, Mr. Chairman, this issue of Montgomery GI Bill, General McIntosh mentioned that. And we have this—you all educated me last time about it—we have this dual bill here where the reserve component of it is taking care—the Montgomery GI Bill, we do in our committee here, and then the veterans part of it is done in the Veterans Committee. And they are not running in tandem.

And so a couple of years ago, a year and a half ago, we made what we thought were some pretty good improvements in the Montgomery GI Bill. And I think if you ask most members, they would say everything is really pretty hunky-dory. But we didn't do anything about the reserve component of it because the Veterans Committee didn't have jurisdiction.

We may want to consider trying to, I don't know, do a joint hearing once a year, or something, on Montgomery GI Bill with our folks from the Veterans Committee to where we could talk about together where those bills are at. Because I think we have left the reserve component behind. I don't think your benefit is anywhere what it was before in just inflation.

I guess there was not a question there except about that legs and cows thing.

Well, thank you all for being here.

Mr. MCHUGH. I am not sure if Mr. Cooper would want to ask another question or not.

If you could just bear with us for one second.

My point on the cows——

[Laughter.]

Doesn't want to hear my explanation about cows and averages? No? Never mind.

Well, gentlemen, many, many other issues we could explore and need to explore. And I know you both understand and appreciate that.

Accordingly, we would ask: In the immediate future we will undoubtedly share with you some written questions that we would



deeply appreciate your responses for the record so that we can ensure that we have as broad a range of opinions from you and suggestions as possible.

Until that time, as I have said before, we deeply appreciate your service. This is a new world, a very different world from the balance between the reserve component and the active component that existed not so many years in the past, and it clearly is setting a field of challenges that we have to address.

If the guard and reserve—so important, in my opinion in terms of this nation's attitude toward its military, and the relevancy of our civilian-based military needs to be preserved and protected, as I have said. We have a lot of work to do to make sure that that happens in support of the great work that you and your organizations do.

We appreciate your service, and thank you again for being here. With that, have a nice day.

General MCINTOSH. Thank you.

Mr. ZAPANTA. Thank you, Mr. Chairman.

General BURNETT. Thank you.

Mr. MCHUGH. Well, let me introduce our second panel of witnesses. It is a weighty panel both in terms of its size and its importance.

We are thrilled to be joined by such an array of distinguished leaders.

Let me welcome you all.

First, let me introduce the Honorable Thomas F. Hall, assistant Secretary of Defense for Reserve Affairs—Secretary, welcome; Lieutenant General H. Steven Blum, United States Army, chief of the National Guard Bureau—General, welcome; Lieutenant General Roger C. Schultz, United States Army, director, Army National Guard—General, good to see you; Lieutenant General James Helmly, United States Army, chief, U.S. Army Reserve—General, welcome; Vice Admiral John G. Cotton, United States Navy, director, U.S. Naval Reserve—Admiral, welcome; Lieutenant General Daniel James III, United States Air Force, director, Air National Guard—General, welcome; Lieutenant General James E. Sherrard III, United States Air Force chief, Air Force Reserve—welcome; and Lieutenant General Dennis M. McCarthy, United States Marine Corps, commander, Marine Forces Reserve—General, welcome.

Generals, welcome all.

Most of you are old hand—oh, I should say experienced hand at this. [Laughter.]

General Sherrard, I understand you will be retiring, this will be your last opportunity in uniform to appear before us. I want to thank you on behalf of the subcommittee and the committee and the United States Congress but also the American people for your long service and wish you all the best in the future.

We will try to take it easy on you on this your final appearance.

General SHERRARD. Thank you, sir.

Mr. MCHUGH. Yes, sir.

And with that, Secretary Hall, we look forward to your comments. Thank you for being with us. Our attention is yours, sir.



**STATEMENTS OF HON. THOMAS F. HALL, ASSISTANT  
SECRETARY OF DEFENSE FOR RESERVE AFFAIRS**

Secretary HALL. Yes, sir.

As you can see at the table, from the gray hair and lack of hair, you have, counting my 38 years of active service, 300 years of military service testifying before you today.

I want to echo what you said to Jim Sherrard, he has given most of his adult life in service of his nation, and we, as his colleagues, are deeply appreciative of it.

Mr. MCHUGH. Hear, hear.

General SHERRARD. Thank you, thank you very much.

[Applause.]

I just would question "most of my adult life"—that could mean just a couple of days, maybe. [Laughter.]

Secretary HALL. Our guard and reserve is 46 percent of our military today, numbering 1.2 million. Today we have 170,000 on active duty, mobilized. We have mobilized a total of 320,000 since 9/11. We have used 37 percent of our guard and reserve in this effort. We have 63 percent we have not touched. This makes it the largest mobilization since Korea.

I will keep my remarks very short because I know you want opening remarks from everyone—but just to say that we are all worried, on this panel, about the same thing: stress on the force.

Although since 1995, we have only double, triple or four times tapped 28,000, which is 3.3 percent, it is a small percentage, we keep tapping the same ones. We keep mobilizing civil affairs, military police, and we are concerned about that, thus the rebalancing effort.

And what you are going to hear is that the rebalancing effort is one within the active force as well as within the active and guard and reserve. It is not moving both ways.

We want to get, in many cases, a larger pool. We want to look at the groups that have been mobilized over and over again and increase the amount of pool, build more of them, so that we can develop predictive models.

And along those lines, it was referenced in the other hearing, the one in five, one in six—that is a planning factor; that is not a policy.

The services have been asked to look at: If you mobilize one in every six years, do you have the necessary balance to do that, do you have the necessary size to do that?

So we are using as a planning factor it might be one in four, it might be one in ten, in might be one in seven, so that is very important.

We are worried about our families. Sir, the families are extremely important. I know during my many deployments in the Navy, my wife wanted to know, "When are you going? When are you coming home? How long are you going to be there?"—predictability.

So we worry about those families.

You will hear about the support we give those families, the 400 National Guard Family Service Centers throughout the country, the 700 Family Service Centers throughout the country that in a

joint way help our families; our Web-based initiative so that our families can call 24 hours a day, seven days a week to get help.

We recognize how critical families are.

you will hear about recruiting and retention. And you will hear that all of the services, the Reserve and Guard, are making are making their end strength. However, their recruiting is slightly below where they want it. But they are retaining more. And I will leave it to them to tell you why they think they are, why they think they will meet their end strength.

But with stop loss in—which ends in the Army, for instance, 90 days after you return—sometimes the snapshot you need to take about recruiting and retention is not right now; it is at the four-month point.

So what we need to concentrate on is after you have been home four months, do you feel the same way as when you walked off of the airplane?

We are worried about equipping, that we have the same compatible equipment. When they cross the berm from Kuwait into Iraq, do you have the best, do you have the same kinds of equipment? All of us are dedicated toward that end.

Training has come up a number of times. One of the initiatives we would like to see—we are prohibited now by legislation in mobilizing for training purposes only. We think that needs to be changed.

Because we could attack a lot of things by mobilizing for maybe a two- or three-week period to send people to school, if you know you are going in a year and a half from now and you need a school—or mobilize to take care of medical, take care of some of those things.

Without that authority, we think that would give us a little bit of additional leverage.

We are worried about the continuum of service where we have people that serve from zero, 38 days to 365 days. We would like to provide a system—and we have a number of initiatives that I could discuss with you—that allow us to have our citizens serve as volunteers, serve in a more productive way, serve at longer times.

There are number of archaic laws that are industrial age laws, the 179-day rule, the other kinds of things which prohibit us using guardsmen and reservists the way we think.

All of our initiatives coming forward cost nothing. Guardsmen and reservists will like them. It will make their continuum of service better, and we would like for you to consider those.

And then the area of benefits: We try to focus and worry about benefits on readiness. And if we take the medical benefits—there has been a lot of discussion by the other panel of TRICARE for guardsmen and reservists and their families all the time. That is very costly, \$10 billion or more.

We want to focus on what promotes readiness. Because when guardsmen and reservists come on active duty, they and their families—now, in fact, 90 days prior to that, thanks to what you passed last year, and for 180 days after they come off, have the very same benefits. And that is very important.

When they are not on active duty to enact very expensive types of benefits might price the guard and the reserve out of the picture, depending on how often we use them.

There is a zero tolerance on sexual harassment in all of these services. And I will leave it to my colleagues to talk about that. It is a crime, it is abhorrent, and they are committed to zero tolerance in the area of sexual harassment, and they can certainly speak to that.

In the end, what we need to do, I think, is to develop a predictability model that we can tell employers—who are very important in the equation, and particularly small businesses of four, five and six, those are the ones; the large ones are not as much of a problem—when the person that works for you is going to go. If there are initiatives that might help those businesses, we would be happy to discuss those.

But we need a predictability model for the family, for the guardsmen and reservists and for those employers in order to make the service attractive for the future.

I look forward to your questions.

[The prepared statement of Secretary Hall can be found in the Appendix on page 1287.]

Mr. McHUGH. Thank you, very much, Mr. Secretary, we appreciate you being here.

General Blum.

#### **STATEMENT OF LT. GEN. H. STEVEN BLUM, U.S. ARMY, CHIEF, NATIONAL GUARD BUREAU**

General BLUM. Chairman McHugh, Congressman Snyder, Congressman Cooper, other members of the committee, thanks sincerely for the opportunity to be here.

We have entered our statement for the Army and Air and the National Guard for the written record, please. And we would ask you to take our oral testimony as well.

This committee is all about people. In the end, that is what our organization is, it is all about people. So I brought some people here that are the real experts if we really need to get expert opinions.

I brought my command sergeant major of the National Guard. He is the senior enlisted adviser for 460,000 citizen soldiers and airmen, Command Sergeant Major John Leonard, who has been mobilized twice. But he has some experience once for Vietnam and once again for Desert Storm.

And then we have three true American heroes that just have returned back from deployments overseas: Senior Master Sergeant Drew Horn from Pennsylvania, noncommissioned officer (NCO) from the 193rd Maintenance Squadron, Pennsylvania Air National Guard; Sergeant Luke Daugherty, who is probably going to be, if he isn't already announced, as the NCO of the year for Nebraska Army National Guard—just back from Bosnia, but he has also pulled tours of duty in Kuwait, so he has operated and been mobilized twice in both theaters; and Specialist Fourth Class Jeremy Long, right out of Schenectady, New York, who was mobilized out of Fort Drum, knows well the issues there, and he is here today and he is recovering from wounds he suffered in-theater, being at-



tacked by an Improvised Explosive Device (IED) in an unarmored Humvee.

So I would like them to stand and be recognized.

[Applause.]

Mr. MCHUGH. Thank you, gentlemen.

If I may interrupt you for just a second, General Blum, because you are absolutely right. That is why this subcommittee exists. And for all of our passion toward high-tech secret weapons systems and exotic platforms and stealth this, at the end of the day, it is still the soldiers, sailors, airmen, Marine and Coast Guard men and women who make the difference.

And gentlemen, I want to welcome you and certainly to the command sergeant major, as well. But to Specialist Long, whom I had a chance to visit with just prior, we are awfully proud of him, of course. And Sergeant Luke and Senior Master Sergeant Horn, God bless you for your service. Thank you for being here today.

And there ought to be a medal for sitting in a committee hearing room for this long with the lights on in your uniforms. [Laughter.]

I am sorry. We haven't done that yet. But if we ever do, you are first in line to get one.

But we are deeply in your debt, gentlemen, thank you so much.

Thank you, General, I appreciate you letting me interrupt your testimony.

General BLUM. No, no, sir, you just shortened my presentation. That is great.

Your National Guard has three priorities, and I will keep this brief. One is defend the homeland, both here or abroad. We can do both. We need to do both. We need to do them simultaneously.

We support the war fight, any time, any place. That is what we signed on to do. That is why the guard was created 367 years ago. And we will be here as long as we are a nation, and we will do whatever the Nation asks us to do.

And then last, we have to transform because we are no longer running around with muskets and plows like the original Minuteman. We are now running around with much different equipment in both hands. But the values, the core values and the necessity of having a citizen militia capable of transitioning from citizen to soldier at a moments notice for homeland defense or support the homeland security, and in weeks and months notice for overseas deployment, is still as a reality, as we have seen.

Your National Guard is transitioning from a strategic reserve to an operational reserve. And this chart kind of gets to that, and I will just pop it up there. And if it is useful to you, we will leave it. But if not, we will take it down.

But it shows the reason that so many of the things we talked about here today are the way they are. They are wrong because that is the way we designed them. We designed them for the wrong utilization of our reserve components.

All of the reserve components represented here today, and I can only speak for the National Guard, but it is common to all of us, we were all built for a strategic reserve, to go in case of World War III to be overstaffed, overstructured, underresourced and to be filled up with people by a draft and to get money and equipment



and training over a long period of time before we would go anywhere after we had exhausted the active force.

That is not the way any of us are being used today, and we are not complaining. We are doing like the guys with the cardboard sign. I don't think that is complaining. I think that is a badge of honor. I think they want people to realize that they are professional military people. And they are soldiers, American soldiers, sailors, airmen and Marines first and foremost. And they are citizens when the country doesn't need them to be soldiers, sailors, citizens and Marines.

And to do that, we have to move from this old structure to what we need to be. And I am really sorry Congressman Cooper is not in here because this gets to every question he asked for. We can't be overstructured and be ready and relevant. We can't be overstructured and be resourced properly. We cannot be underresourced in full-time manning and do the myriad of things that we talked about here, each one of those called taking care of people.

And you have to have people there to take care of people. And to have two people in an Army to take care of 100 is a formula for failure. And that is the way your Army National Guard is set up.

It is not the way your Air National Guard is set up. The Air National Guard has been an operational reserve for 20 years. It was resourced at C1. It was manned, equipped and trained to be a ready, relevant, reliable and accessible force. That is what we need to do with the Army National Guard.

So we have to transform from what we were to what we need to be. And it is going to create some discomfort in everybody's congressional sector when we do this because everybody's tea cup is going to get filtered a little bit in this transition. But it has to happen. It is what is right for America, not what is right for any particular Army or jurisdiction.

We need some new approaches. We need to do this transformation as we continue to deploy 100,000 people, roughly, for the foreseeable future. And we need to give our soldiers, their families and their employees the predictability.

So we have built a predictability model, which I shared with you the other day. And that is the other chart. That is a pie chart that I can throw up if you like. In fact, put it up there, it might be useful.

It shows about a quarter of our force deployed at any given time, in green. It shows a quarter of the force in yellow that is getting ready to deploy. And it shows half the force that is always available and up to three-fourths of the force that is always available out of the Army or the Air Guard to the governors to respond to homeland defense and homeland security.

So we are both deployable warriors for the overseas fight or the away game or homeland defense in depth. And we are guardians of our homeland 24/7 and every day that ends with "Y."

And to end the way I started, it is all about people. So we have to balance all of these things that we are trying to do while we take care of our soldiers and our airmen and their families and their extended family, their employers.

I anxiously await your questions, sir.

[The joint prepared statement of General Blum, General Schultz, General James, and General Sullivan can be found in the Appendix on page 1324.]

Mr. MCHUGH. Thank you very much, General.

I have to tell you in all candor that Jim Cooper has been a member of this subcommittee for a year and a half, and that is the first time anybody has said they wished he was here. [Laughter.]

And I say that out of deepest respect, and I mean this. He asks very, very tough questions, very probing questions. And I appreciate that. And I should tell you, there is not any more loyal member in terms of attendance. He had to step out. And he told his ranking member as he left he is going to make every effort to come back. But if that is not possible, we will certainly share with him your response.

General BLUM. Thank you, sir, appreciate it.

Mr. MCHUGH. Next, Lieutenant General Steven Blum. Oh, I just introduced you. Lieutenant General Roger Schultz, I am sorry, director, Army National Guard.

General Schultz, welcome.

#### **STATEMENT OF LT. GEN. ROGER C. SCHULTZ, DIRECTOR, ARMY NATIONAL GUARD**

General SCHULTZ. Thanks, Mr. Chairman.

Members of the committee, thanks for your unwavering support for our soldiers, our families and our employers. As we talk today about our priorities, your priorities have been every bit up to the task in terms of focus all the time on our people.

Mr. Chairman, as I talk about what the guard is doing today, I just go back and perhaps recap for a second, we have called over 175,000 to active duty since the September 11 attack. Today we have 95,000 soldiers on duty. As we speak today, we are bringing home thousands from duty. We are also alerting and mobilizing thousands.

Mr. Chairman, I am aware of your interest in recruiting and retention.

We made our first quarter objectives. In fact, we exceeded them slightly. We made our retention goals for the second quarter, actually exceeded them slightly; 137 percent of my reenlistment goal has been realized.

Our recruiting objectives for the second quarter have been off just a little bit. I am short 2,011 of the goal that we set for the second quarter.

Mr. Chairman, I am the senior pay clerk in the Army National Guard. I work pay issues personally when necessary. I want the committee to know that I take very personally the issues that we have dealt with regarding your discussion on pay, your concerns, your attention to soldiers that haven't been served as they should have been with regard to the way we pay soldiers, the systems that process it.

And you have my personal commitment to doing everything that we possibly can to keep this system together until we field the forward compatible pay system in March of 2005.

Perhaps, Mr. Chairman, in perspective, as I am talking to a squad leader who was about to depart for Iraq assigned to a duty

station at Fort Hood recently he said, "I am not really concerned about all the policies and all the bonuses you are asking me about right now. What I really want to do is bring my squad back home safely."

Thank you, Mr. Chairman.

[The joint prepared statement of General Schultz, General Blum, General James, and General Sullivan can be found in the Appendix on page 1324.]

Mr. MCHUGH. Thank you, General. We deeply appreciate your being here and your service.

Next, Lieutenant General James Helmly, chief, United States Army Reserve.

General, welcome, sir.

#### **STATEMENT OF LT. GEN. JAMES R. HELMLY, U.S. ARMY, CHIEF, ARMY RESERVE**

General HELMLY. Thank you, Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity and indeed the honor to testify on behalf of the 211,000 soldiers, 12,000 civilian employees and their families of the United States Army Reserve, an integral and proud component of the world's greatest army, an army at war as we have noted today for a nation at war.

I am joined this morning by Command Sergeant Major Michelle Jones, the senior soldier of the United States Army Reserve, and two Army Reserve veterans of the current war in Iraq, First Sergeant Bradley Iris and Sergeant Andrew Carnahan of the 299th Engineer Company, United States Army Reserve.

[Applause.]

Mr. MCHUGH. I have to interrupt you, General, because you introduced some heroes.

And Sergeant Major, welcome.

But to the First Sergeant and Sergeant, thank you, gentlemen. As I indicated before, you are the backbone of this military and the folks who have ensured our freedom for over two and a quarter centuries. God bless you. And you are inheritors of a proud tradition, and you have upheld it extraordinarily well. Thank you.

General.

General HELMLY. Thank you, Mr. Chairman.

The 299th Engineer Company is a non-divisional engineer bridge company, which marched on the road to Baghdad with the proud and heroic 3rd Infantry Division and for the first time since World War II, conducted opposed river crossings in support of the 3rd Infantry Division as that division seized Baghdad.

Today, as we speak, nearly 60,000 Army Reserve soldiers are on active duty in Iraq, Kuwait, Afghanistan and the continental United States and elsewhere around the world as part of America's Global War on Terrorism serving courageously and proudly.

They are joined by another 151,000 Army Reserve soldiers training and preparing for mobilization or resting and refitting after being demobilized.

Since September the 11th, 2001, approximately 100,000 Army Reserve soldiers have served on active duty as part of this Global War on Terrorism.



Tragically, some 27 Army Reserve soldiers have made the ultimate sacrifice in service to our nation, to keep their fellow citizens and their families and neighbors safe and free.

We are forever and deeply in their debt and honor their memories by our actions here today.

Your invitation to testify comes at a time of profound and unprecedented change and challenge in the dynamics of our nation's security environment.

A critical issue that should be recognized is that this is the first extended duration war that our nation has fought with an all volunteer force. January marked the 30th anniversary of the all-volunteer force.

This immense policy change in our nation has brought the Army Reserve and all of our armed forces and their components an unheard of and unprecedented quality in people who populate our ranks.

Yet the all-volunteer force also brings certain expectations and sensitivities that we must confront with regard to how we support our people and how we train them and how and when we deploy them.

To meet the demands of our nation and the needs of our Army and joint force team, we must change the way we man the Army Reserve. We must change the way we organize, train and prepare the force. And to accomplish this change, our culture internally must change.

This is a period of deep change from the old to the new. But we must forge this change while simultaneously continuing to fight in the current war.

We are simply not afforded the luxury of hanging a sign outside the United States Army Reserve Command Headquarters at Fort McPherson, Georgia that says: Closed for remodeling.

The culture must change from one that expects one weekend a month, two weeks in the summer to one that understands: "I am first of all an American soldier; though not on daily active duty, before and after a call to active duty, I am expected to live to show Army values. And I must always prepare for mobilization as if I knew for certain the hour and the day that it would come."

I look forward to your questions, Mr. Chairman, this afternoon.

[The prepared statement of General Helmly can be found in the Appendix on page 1373.]

Mr. McHUGH. Thank you very much, General. I appreciate your being here and bringing those proud soldiers with you.

Next, Vice Admiral John Cotton, United States Navy Director, U.S. Naval Reserve.

Admiral, thank you for being here.

#### **STATEMENT OF VICE ADM. JOHN G. COTTON, U.S. NAVAL RESERVE, CHIEF OF NAVAL RESERVE**

Admiral COTTON. Good afternoon, Mr. Chairman, Representative Snyder.

Heroes aren't only overseas. And I would just like to remind you that a couple of weeks ago at Naval Reserve Center Baltimore, there were some heroes that responded in some angry weather and



rescued 21 folks from a capsized water taxi. And I just want to let you know that their accomplishments will not go unrecognized.

In two weeks, we plan on having a ceremony there which will be in the press, of course. And many dignitaries are invited to honor these heroes that proved that we can be ready here at home to aid in homeland security as well as, like General Blum says, have another mission to deploy overseas.

So it was a very, very graphic representation of the dual mission of not only our reserve force on an everyday basis, but as well as the guard.

Just two points I would like to make. Number one is manpower. we have talked a lot about the importance of our sailors, our soldiers, airmen, Marines, Coast Guardsmen. I have to tell you right now I am very encouraged by what I see.

For the first time in the Navy, in January, I saw a Navy one star active duty admiral brief reserve retention and recruiting.

Through combined efforts, we are concentrating on the individual leaving the Navy and keeping them on the Navy team in the reserve component.

In February, we turned around recruiting to make 116 percent of our goal, and 85 percent of those were Navy veterans. That is a huge change from where we were last year when we were relying a lot on non-prior service recruitment, which just added to the training bill of training folks before they went overseas. That was a huge success.

Now these folks that are in the reserve today, we kind of operationalize the Navy Reserve starting about 12 years ago after Desert Storm. Back then, Rear Admiral Hall started this charge with peacetime contributory support, which just recently we changed into operational support.

And we have developed the metrics to look at this now where we can say today that 20,085 people in the Naval Reserve are on some set of orders this week performing support to a fleet as well as training with the fleet so that they can deploy. This is a 24 percent number of our total 86,000 force.

So they are very much leaning forward to support the fleet. That is one good message.

And second, I would like to add that the current readiness have never been better. Thanks to Congress with the National Guard and reserve equipment appropriation, we took that to Navy. We utilized the funds this year to recapitalize our current readiness, in particular to that we could deploy the units to U.S. Central Command (CENTCOM) and have them in a ready status.

So manpower and current readiness, they have never been better.

And I look forward to your questions, sir.

[The prepared statement of Admiral Cotton can be found in the Appendix on page 1400.]

Mr. McHUGH. Thank you very much, Admiral.

Lieutenant General Daniel James, III, United States Air Force, Director of the Air National Guard.

General, welcome, sir.

**STATEMENT OF LT. GEN. DANIEL JAMES III, U.S. AIR FORCE,  
DIRECTOR, AIR NATIONAL GUARD**

General JAMES. Good afternoon, and thank you.

On behalf of the over 107,000 men and women of the Air National Guard, thanks for the opportunity to be here with you today.

Before I give my brief remarks, I would like to acknowledge not only Senior Master Sergeant Drew Horn who is with us today, along with other fine soldiers, but also my Command Chief Master Sargent, who is my senior enlisted adviser. She is my eyes and ears. She travels more than I do, and she knows more of what is going on with the airmen out there in the field, both here in the continental United States and abroad.

She has been in theater more than I have, and when she comes back, she gives me a one-on-one debriefing of what is really going on out there.

So at this time, please stand and be recognized.

[Applause.]

Mr. MCHUGH. Thank you very much for your service. Welcome here today. And we appreciate all that you do in service to your country.

General JAMES. As we all know, Mr. Chairman, this is has been an incredible year for the nation. It is also been an incredible year for the Air National Guard.

We continue to actively participate in the Global War on Terrorism with pride and determination just like our the other members of the services.

Because, as has been mentioned, we have already made the transition from a reserve, to a strategic reserve, into an operational reserve. We feel as though we are in somewhat of a vanguard of that transformation process. And I will be talking more about that later. But I will say that because we have been resourced properly and trained properly to fight, we have been able to perform at levels that our nation expects of us.

Over the past two years, as of September 11th, we have been mobilized at a peak, one time over 300, a total of over 36,000 people have flown over 100,000 missions; and with that, 340,000 flying hours.

In Operation Iraqi Freedom, alone, we had 30 percent of the Air Force aircraft engaged in that operation. And yet, with all of that tempo, just as the others have said, our retention remains very high. In fact, it is a percentage point plus higher than what we projected it to be at 95 percent, 95.4 percent.

We have begun the transformation as we fight the war on terrorism, the Air National Guard has begun its transformation. We have a vanguard initiative that allows us to lay out a strategy that will, in fact, hopefully prepare us for the future and get us involved in other new weapons systems that we were not originally slated to be involved in, such as the Predator, the unmanned aerial vehicles and the FA-22.

Just like the other gentlemen sitting here at this table, people are still our most important asset and will continue to be.

As I look past you gentlemen and see the picture depicting what appears to be World War II or career air troops it reminds me of just how far we have come.

I see there in that picture basically an all-male force. And of course we have come a long way from that—no people of color, no females, reflective of the time and the status of our armed forces are not like that today at all.

And that is why it is important that we be responsive to the challenge we have right now that is facing us in many parts of our services that deal with sexual assault and sexual harassment.

We also have to deal with the challenges of taking care of our families because the soldier and the airman who performs, the Marine and the sailor who answers the call does so at a great sacrifice to his family and sometimes his employer.

That is why at every flying institution, at every unit that we have, the 88 different units in the Air National Guard, we have one, at least one full-time contracted person.

And we are asking for funding, in the future, to have another full-time contracted person at all 54 of our state joint forces headquarters.

I just want to thank you again for your support and giving us the opportunity to speak at this hearing today. And I will be ready to answer your questions when my time comes.

[The joint prepared statement of General James, General Blum, General Schultz, and General Sullivan can be found in the Appendix on page 1324.]

Mr. MCHUGH. Thank you very much, General. I should tell you, like many members on this subcommittee and committee, I have traveled to, as I mentioned, Iraq twice, just took a rather long trip to Afghanistan, and went most of the way with Air National Guard. We appreciate the lift. [Laughter.]

General JAMES. We will send you the bill.

Mr. MCHUGH. Well, that is all right. I can send it to somebody else. [Laughter.]

But, your folks are doing a great job, as all of your individuals are.

Next, Lieutenant General James Sherrard III, United States Air Force Chief Air Force Reserve.

#### **STATEMENT OF LT. GEN. JAMES E. SHERRARD III, U.S. AIR FORCE, CHIEF, AIR FORCE RESERVE**

General SHERRARD. Thank you.

Mr. MCHUGH. Again, best wishes in your future and whatever endeavors you may choose to take up.

General SHERRARD. I want to thank you very much. And thank you for those kind words. And Congressman Snyder and distinguished members of the committee, just let me say that it is indeed an honor and a privilege to have the chance today to come before you representing the men and women of Air Force Reserve Command, almost 80,000 strong, counting both military and civilian members.

We currently have over 6,100 folks mobilized, having, as General James mentioned, at the peak an excess of 28,000 mobilized.

Our men and women are very proud of what they do and they do it unselfishly with the great help of their families and employers.



We have three key priorities that we really stress in our way of doing business because we know that they, in fact, are the foundation upon which everything that we are able to do is based upon.

And the first one obviously is people, making certain that our recruiting and retention initiatives and programs meet the needs of our members so that they can, in fact, do the things that we ask of them.

It is important to know that we want to ensure that they have a work place that is safe, free of discrimination, free of harassment, and we insist on that.

And as Secretary Hall had said earlier, the issue of sexual assault, it is, in fact, a zero-tolerance within the Air force Reserve Command. And, it is a crime. It is something we can not condone, will not condone. And for certain, we have to make for sure that we have processes in place which protect the member, so that we don't end up having someone who is afraid or fears coming forward because of something that is improper within our organization.

We also would tell you that under the people umbrella, we want to make certain that we seek fair and equitable compensation for our members. The compensation review report that has just come over has some excellent ideas and studies.

I tell you, it is a work in progress, and there are things that we need to do, as the first panel addressed as well as the my first colleagues addressed. There are issues and initiatives that I think we need to look across the board as to what is important in terms of retaining our members and allowing us to do that.

With failure to do that we, in fact, will impact the capability of our force to meet the future needs. And as it was mentioned by my other colleagues also, the importance of family support and employer support are critical for us to be able to do the job that we are asked to go do.

The second priority aspect that we have is readiness in the Air Force, Air Force Reserve, Air National Guard. We are very proud. There is one tier of readiness. There is one standard.

That standard is the Air Force standard. We trained to that. Our members are evaluated on that standard, so that there is not an issue. When our force, General James' force or inactive force is tasked to go do a mission, we know exactly how that mission will be carried out.

In order for us to do that, we have to go to the third priority, which is modernization. We have to ensure our weapons system are compatible, they are relevant and interoperable, not only with the active force and Air National Guard, but also with coalition partners.

We need to make certain that we continue to do that.

Another major piece that I placed under the modernization umbrella lies in the fact of the way we are doing operational integration. We have been doing it in the Air Force Reserve for a long time under the mantra of the associate program in the large aircraft of the strategic airlift side of our business.

And we have now expanded that with the ability for us to provide highly skilled fighter, qualified individuals to become undergraduate trained instructors to air education and training com-



mand, relieving the active force fighter pilot force to go and fly inside the organizations.

We have 225 full-time equivalents doing that, doing a remarkable job.

We have fighter associate programs that we have initiated in both the F-16, and we will be commencing the F-15 this year, as well as an AWACS and special operations in the MC-130, as well as the MC-130P and MC-130E, both Combat Talon and Combat Shadow.

We are very proud of the accomplishments of our members. In our prepared statement, there are many facts that I think you will find most interesting. Our people are proud to do that. They don't ask for any special favors; they just ask for fair and equitable treatment to ensure that their families are protected, communications lines stay open. And they very proudly serve above and beyond each and every day.

So I thank you again for the great support that this committee has provided to us. As was mentioned by Admiral Cotton, monies that you have given to us to allow us to modernize our fleets are absolutely essential. And we can't thank you enough for that.

And I stand ready for any questions here.

[The prepared statement of General Sherrard can be found in the Appendix on page 1419.]

Mr. MCHUGH. Thank you very much. We deeply appreciate your service General Sherrard. And as I said, best wishes to you.

Next, Lieutenant General Dennis McCarthy, United States Marine Corps, commander Marine Forces Reserves.

General, welcome.

#### **STATEMENT OF LT. GEN. DENNIS M. MCCARTHY, U.S. MARINE CORPS, COMMANDER, MARINE FORCES RESERVE**

General MCCARTHY. Chairman, Congressman Snyder, thank you very much for the opportunity to appear here today. As you stated Mr. Chairman at the outset, we are all dealing with a new reality or a new set of circumstances in the employment of the guard and reserve.

Rather than a one-time surge effort, we are now challenged to sustain a level of mobilization over an extended and what appears to be an indefinite period of time.

That presents new challenges to Congress. Certainly, it presents new challenges to the leadership of the reserve component. We have to ask ourselves questions that, frankly, we haven't asked before.

But some things haven't changed, and that is the absolutely phenomenal performance of the young men and women who served in the Marine Corps Reserve and in all of the reserve components.

Whatever the new reality may be at the policy level, they are out there every day just performing in an absolutely superb fashion.

In the Marine Corps Reserve, we had 26,000 mobilized, most from the Selective Reserve, but a good number from the Individual Ready Reserve, the vast majority of whom were volunteers.

We have 5,000 Marines or a little bit over 5,000 Marines serving on active duty today. And as I said, the sailors who serve with us have served with distinction with the 1st Marine Expeditionary

Force in Iraq, served in Afghanistan, Africa, Japan, around the world.

The force that we have today will require undoubtedly some adjustments. And we are engaged, as all of the reserve components are, in a relook or a look at our balance. But I would tell you that the force that existed, the Marine Corps Reserve that existed on September 11th, 2001, was a balanced force, it was a pretrained, ready-to-mobilize force. I think that we are going to see that it is a sustainable force over the long haul.

So while we will make some adjustments, I don't think that you will see radical changes in the force structure of the Marine Corps Reserve because it is relatively well-balanced today.

We have increased some of our security forces. We have increased some of our force structure devoted to intelligence. I think we will make some other adjustments, but I don't think that we will see a radical restructuring, nor do I think that one is necessary.

I look forward to answering your questions on that subject or any others that you may have.

Thank you.

[The prepared statement of General McCarthy can be found in the Appendix on page 1440.]

Mr. MCHUGH. Thank you very much, General.

Again, gentlemen all, thank for your service and your presence here today.

Mr. Secretary, let me just start with you.

You have heard a lot, particularly from the first panel, about health care benefits. And it is obviously an important question whether you are dealing with medical hold or just the appropriateness of ensuring that we can recruit to the new environment for both the guard and the reserve.

The Congress extended TRICARE benefits to certain guard and reserve members, those who are receiving unemployment compensation or those who didn't have coverage in the private sector.

Your written statement talks about setting up a program, and you are really focusing on a demonstration program, rather than the broad-based.

As you know, the authority for this TRICARE enrollment expires in December 31 of this year. I am curious, are you interested, is the department interested in having Congress extend that authority so you can go ahead with the demonstration program? And if so, has anybody costed that out what the bill would be from December 31 to the end of the fiscal year on September 30, 2005, because there is no money in the budget to do that, that the administration sent up, as you are aware?

Secretary HALL. Well, first, let me say that the TRICARE initiatives passed by Congress were very well received and I think were needed.

The provision of 90 days before mobilization they entered into the program, synchronizing the guard and reserve benefits with the active duty for 180 days afterwards were very needed.

The demonstration project is certainly being worked by Dr. Winkenwerder, our Assistant Secretary of Defense for Health Af-

fairs. He has been here. They are moving to implement that as soon as possible.

One of the things I think should be considered is, since they want to do it right and to make sure we have it correct, is there enough time.

So I think one of the options that should be considered is extending past the 31 December.

I don't have cost figures on that. They are developing that, they are looking at it. But I think we have to consider that as we pursue that program.

Mr. MCHUGH. Would that be something that perhaps the administration would consider as including it in the supplemental?

Secretary HALL. I can't answer that now. I will take that back. Certainly I consider that a very fair question, and I will get that back.

Mr. MCHUGH. Thank you, I appreciate that.

There were some comments—and I have some figures, and I won't bore my distinguished ranking member with another statistical analogy. I am not sure we have a disconnect, but I want to make sure the figures that we are working from here on the subcommittee are correct.

According to the data that we have been provided, the Air National Guard right now is achieving 73 percent of its recruiting goal. Let me just go through these, and then each of you can respond.

The Air Force Reserve is achieving 86 percent of its recruiting goal. The Air National Guard is achieving 92 percent of its recruiting goal. And although I don't have it in front of me, we know the Army Reserve is struggling to meet it too.

General James, you spoke about exceeding your target, so I just want to make sure we are all on the same page. Is that 73 percent correct? That is the most recent we have available. I am sure it has changed.

General JAMES. The figure I was referring to was the retention.

One of the reasons our recruiting performance is lower is because they are inversely proportionate. We are retaining many more people than we thought. We thought we would be retaining approximately 88 percent of our folks. We are retaining, at this point, 95-plus percent of our folks.

Now, that number ramps down as the year goes on, and we probably will end up at the end of the year at about 88 to 90 percent.

But because at this point we are retaining 95 percent of our people, we are not concerned with not meeting the goal that we set early in the year for recruiting.

Mr. MCHUGH. Well, I appreciate that and that is an important point.

Help me understand, however, as you go through the process and you set a goal and, as you noted, that goal probably needs to be flexible as you meet other parameters that require that goal to be a certain level, such as retention.

Do you attempt to make your original goal, given that your retention is exceeding your expectations? I assume you kind of ratchet down your recruiting because you don't need more people than you need. Is that correct?



General JAMES. We do that, because we have an end-strength figure that we have to meet at the end of the year. Last year was approximately 107,000, I believe. This year it will be, I think it is 106,450 or something of that nature. It is even smaller than last year.

By statute, we have to meet that end-strength goal by the end of the year.

So we don't have the same problem as the active component has in that they are thousands and thousands of people over their end strength and will have to release more people than we will.

So we do not adjust our recruiting goal as the year goes on. We leave it the way we set it earlier in the year—might want to consider doing that in the future—and what we do is, we adjust the numbers of people that we recruit, so we are not ending up at the end of the year with a larger end strength than we are authorized to have by Congress.

Mr. MCHUGH. Fair enough.

General Sherrard, 86 percent recruiting goal.

General SHERRARD. Yes, sir.

Mr. MCHUGH. A similar circumstance?

General SHERRARD. I believe, sir, the numbers you have are derived. It is a straight line. And we obviously, in our world, we don't recruit on a straight line. The largest portion of our recruits will occur in the late spring, early summer time.

So if you were to just draw the straight line out, that is exactly where I am is 86 percent of the goal. But, one, I don't have the school slots to even enter them into school to be at 100 percent at that point.

The other issue would also be, we continually review what our retention numbers are, what our end-strength numbers are, again as General James said, so that we don't exceed our 100 percent or our 102 percent, which we have the authority to go to by advising and asking secretarial approval of that.

But the other piece that I would tell you that, if in fact I saw that my recruiting goal was too high, I would change mine. My recruiting force, being I think probably the smallest of any of us sitting at this table, we have on the average brought in about—average about 36 recruits per production recruiter. And that is just about their limit. In fact, my director of recruiting will tell me that is the limit.

In fact, we are trying to look to how we can provide more recruiters. This committee was very gracious to us a few years back and allowed us to have 50. I said at the time we did that that in fact was not the right number. That was the maximum number I could train at that given time.

And we are looking, in fact, in our Program Objective Memorandum (POM) that we are developing right now there is in fact another growth in recruiters based, again, on how we see the force structure that we will be required to man to, looking at the numbers, the small numbers of active duty separatees that we will have access to, realizing then the only option that we must go to is for greater numbers of non-prior service members to come into our force.



That takes longer to recruit. And once we do recruit them, it then takes longer to train them up to the skill levels, the five levels, the seven levels that we need, considerably longer than grabbing that experienced member that separates from the active force and bringing them right into our fold. Maintaining that high level of experience base is essential for us to be able to do the things we do and meet the requirements that we are being asked by our Air Force.

Mr. McHUGH. Thank you.

General Blum, any challenges or—

General BLUM. Yes, sir, I will defer for the Army piece, for the details of it to General Schultz. But suffice it to say that the Air National Guard has a different challenge. It has to get down to a number. The Army National Guard has to maintain a number, grow to a number, or replenish to a number. So they are almost apples and oranges. Although in the end state, they both have to match their authorized end strengths.

So I don't know if that was clear to everybody in the subcommittee that it is a different challenge. Most of us are trying to grow to fill our authorized strength. We are slightly under and we are trying to grow to it. And in the Air Guard they have a different challenge. They have to grow down to what they are authorized. They have more people than they have positions for right now.

I don't know if that was fairly clear.

Mr. McHUGH. Well, it is a relevant point. I think the Navy is facing a similar challenge.

General BLUM. Right. General Schultz may want to add to—

Mr. McHUGH. General Schultz, I was just bouncing down the line on the table, but General Schultz, please.

General SCHULTZ. As I said a few minutes ago, our recruiting is off a little bit. Our prior service is off more so than non-prior service. So what I will do is I will tell our recruiters to enlist more non-prior service members, members of the graduating classes across this country, high school classes. And what that means is I will place additional burdens on the Training and Doctrine Command, meaning we have more requirements to train soldiers than we would originally forecast, which means more money in the wrong places.

So our recruiting for this year is challenging as of this second quarter. Retention is 137 percent of our target. So we are actually far exceeding our retention target here.

A couple years after Desert Storm, for example, our turnover in the Army Guard was 28 percent; that is against the assigned strength. And turnover in our units today runs right at 16.7 percent.

So I am not alarmed at what we see to be the current set of circumstances. I will also offer, though, it is a little early to declare victory. [Laughter.]

We have necessarily seen soldiers coming back from one year of tough duty in the face of an enemy for 360-plus days. Obviously that weighs pretty heavy on a person, on a soldier in our case.

I have seen, for example, soldiers come off the ramp and eight out of 10 say I am going to have to leave the uniform. And 90 days later when they come back to drill, eight out of 10 are staying.

So I think there is a dynamic at work here. And it was brought up earlier, and that is as we care for our soldiers, look after our families and in a really special way make sure that all the employer issues are worked out these days, I think we can mitigate a significant issue with regard to the catastrophic condition that some were outlining.

We will make our end strength, Mr. Chairman.

Secretary HALL. And those ceremonies that Congressman Hayes was talking about and that General Burnett was bragging about, rightly so, are hugely valuable in determining who is going to stay with us and who isn't.

How we receive these citizen-soldiers back off of active duty and how we reassimilate them into their jobs and their families, how they are treated in that process will have a great deal to do with how many we are able to retain and how many we would lose because we appear to be not caring or not appreciative of sacrifices that they have made and their families have made.

Mr. MCHUGH. Amen.

I would just say in partial response to General Schultz's comment, it is a little hard to put a percentage on your retention when you are utilizing stop-loss. I mean, that skews it.

General SCHULTZ. Right. We have 19,000-plus soldiers today in the Army Guard affected by the stop-loss rule. By that, I mean, their extensions have been obviously a result of a stop-loss policy. About 4,000 of those we estimate would leave the guard, typical rotations.

So while that figure may skew what is to be kind of our overall retention profile, not to a significant degree in terms of our numbers.

Mr. Chairman, if I could?

Mr. MCHUGH. Sure.

General SCHULTZ. Our prior-service market is off a little bit for perhaps this reason. Active component soldiers coming back from their tours of duty are processing out of the Army are just looking for a break. I talk to our installation career counselors all the time. And they meet with all the soldiers that I am talking about, who in previous times would join the guard in higher rates than they currently are.

And the message is, they just want a break. They don't have a bad attitude, but they would like to get to know their family, raise a family, get to know their kids. And so that is kind of the reality that we are dealing with in terms of our prior-service market being off a bit.

Mr. MCHUGH. Well, and that may be a leading indicator of deeper problems. I mean, that is all of our concern. And you gentlemen are concerned. This is something you work every day.

And then I think one of the frustrating aspects of this is there is no perfect metric by which you can accurately judge what a soldier, sailor, airmen, Marine, Coast Guard member is going to do next month or next year based on what they are experiencing right now until they get to it.

And, you know, we can talk about it as the first panel did, and we need to talk about it. We need to react to that. Doing some

things to make guard and reserve service more palatable, you don't know what is enough and what is unnecessarily too much.

Or at least, I don't. That is part of our challenge and why we are here.

I am going to leave the department and Navy alone over here and the Marine Corps and the Navy because you folks, at the moment, at least statistically are doing just fine. And I appreciate that.

I have a few more questions, but I wanted to defer to Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman.

Secretary Hall, I just had a couple of quick questions for you. I don't know if you were here when I asked the The Adjutant General (TAG) from Florida about the issue of our adjutant generals, in my view, don't get to visit to the Iraq theater as often as they would like. I guess it is more of a comment.

I would hope you would be an advocate with the administration to somehow work that out. I think they are different than other VIPs, brass, top brass that visit because there is little over 50 of them in the country and they have a very particular relationship with their troops, both going over and coming back.

And I think it can be helpful to all aspects of that if they are able to visit their folks more often. And it is my understanding, there are limits.

Secretary HALL. I don't disagree. But I have one quick comment on that.

It is my perspective of being a field commander remotely throughout my career. And if the 50 TAGs came at least twice a year, that could be 100 visits. If you combined that with congressional visits, which you need, visits from my headquarters, I can only tell you as a field commander, I used to wish people would not visit me and leave me alone and let me fight the battle and put weapons on target.

And I am not saying we shouldn't do that, because we learn a lot. But I try to balance it. When I think about it, I think it as the demands of the person there who needs to protect those delegations, take care of those delegations and fight. And it is not always in combat.

But I always look at it from that perspective, that we can over-visit and perhaps sometimes we need to let the commanders do their business and fight the war.

But there is a good balance, and I take your point, sir.

Dr. SNYDER. Well, I would treat them about the same as a reporter myself. I mean, I think they want to visit. And their soldiers, and I think they understand what they are going to. If you treat them like Congressional Delegations (CODELs), then they will never learn anything.

Secretary HALL. Yes, sir, we take your point.

Dr. SNYDER. I also wanted to ask you. You made the comment about, I think your phrase was, when people cross the berm—I may not have the right quote—but that concerns me if that is our goal. I mean, I think our goal, is it not, or should it not be that they have the proper equipment, that they train with back home before they ever get over there.



I mean, if the first time they get the right radios and the right Small Arms Protective Inserts (SAPI) plates, then they are going into combat with different arrangements than they used in training. And I would think that would be a problem. Plus, and this has been a lot of our experience, I don't care how many times you tell someone that we have been assured you will have the proper equipment before you go into Iraq, until they see that equipment, it is an apprehension for them and their family.

And so, I would think our goal is we have to step back further. It is not just crossing the berm. It is in training.

We had this problem with radios several years ago, that active was using a generation of radios that the guard wasn't, and they did not have the ability to communicate with each other. It was only after they were activated that they got that radio.

And so I think it is more than just crossing the berm. Do you have any comments on that?

Secretary HALL. I don't want to leave the wrong impression. What I was commenting on was General Schoomaker's point just a few days ago at that event, that he wanted to ensure that in-theater for protection we have a goal. And I think the goal is to have them train it.

I have been to the National Training Center, watched the 81st and having 40 pounds of armored vest on you and practicing that in an up-armored Humvee is much better. And I only hearken to flying airplanes all of my life, flying a simulator is not like flying the airplane. It hurts more if you crash in the airplane than in the simulator.

So you certainly would like to have for training purposes, the same equipment you are going to operate. And I think the goal of all of us is to achieve that.

Dr. SNYDER. And I don't know who to address this question to, but I don't understand exactly what we are saying and how it is going to work and what the practicalities are of this continuum of service?

It seems to me, I mean, maybe Secretary Hall if you want to do it, or someone else wants to do it, I don't understand how it is going to work in terms of the practicalities of record keeping. If you get all of the flexibility you need, how will that work? Explain that whole process.

Secretary HALL. Sir, we would like to perhaps come over and talk to your separately about that. But briefly, it is to allow flexibility for right now if a Guardsman or reservist serves beyond 179 days, they go on to the active duty list for end strength. They go on the active duty promotion list rather than remain on the reserve list, where they should be for competition.

We have no way of assessing and using volunteers. We are asking for volunteer authority for volunteer organizations, the largest untapped manpower in my view, that we have not used in this conflict, our retirees. We have thousands of retirees out there that want to come on board, want to serve, are physically ready. They call my office. They probably call your office.

If we had authority to just assess them and form volunteer auxiliaries—not for pay. They don't want pay. They just want to come on and serve.



So there are a number of artificial barriers that are prohibiting people from serving in a continuous way, flowing over to the civilian world for a couple of years and back into the reserve and back into the active. And we could come talk about it a bit longer.

What we want to do is ease the manner in which people can flow and serve and the artificial barriers. And these don't cost a lot of money. They are just structural barriers in past time. And we would be happy to come and talk about that more.

Dr. SNYDER. I would like to do that.

And I just want to make a comment and if any one wants to respond, they can. It came up in the previous panel about working with employers. And many of the taxpayers, as is true for a lot of members, I am one of those employers. Now I have a young man that has worked for me for several years. He did it in Kuwait or is in a convoy right now on his way to Baghdad. He is going to be there for a year. He is an Army Reserve, in the Army Reserves. But my own personal experience was the first of this year he was activated to do his Officer Candidate School (OCS); he became a second lieutenant.

He came back in June. He has two children. The family was kind of hoping they would get a little bit of time, but then in October he was then activated probably for a year-and-a-half. And you know, he is a great guy. We are very supportive of him. I brought in a temporary person the first go around. Brought this person back again. And, you know, this is the person that handles my veterans and military affairs stuff.

But as you know, any time you make that frequent personnel shifts some things can get lost. And you work real hard at not doing it.

The suggestion was some kind of a tax credit for businesses. I am not sure that that is going to be satisfactory. Maybe it would be helpful. But it is more, I think, the frequency and the unpredictability and the length.

Does anyone have any comments about that? Or maybe that is more my comment than a question.

Secretary HALL. The stress on the force has two parts. It has the frequency, and I talked some about that, the rebalancing. But it has duration. It has grown from 156 days to 320 days in the current area. So it is both duration and frequency. And that is one of the primary reasons that we have to be successful in rebalancing, that we need to look at 100,000 to 120,000 billets and perhaps look at that 63 percent of the force that we have never tapped.

And all of these gentlemen should be involved so that we can build the base so that we don't have to, as you described with your individual, keep calling them up repeatedly because that is going to have an effect on them, but on their employer and on their families.

And that is why we are working so hard on this. And we agree with you on the difficulties of your example. But many others experience it.

Dr. SNYDER. I wanted to ask you, General McCarthy, I think we will have a test going on because of the length of the Marine Corps tours in Iraq versus the length of the Army tours in Iraq. How do

you foresee the shorter tour impacting on your mobilization of your reserves?

General MCCARTHY. Sir, I think the shorter tour is a positive factor for us from a mobilization standpoint. I do believe that the duration of deployments, the duration of mobilization periods is a significant contributor to the stress. And so being able to send these Marines for a seven month tour rather than for a full year or the shorter period of total mobilization I think is a plus for us.

The one thing that we wanted to make sure was that the Marines, whether they were active or reserve had the same tour length. So I believe the commandants judgment about it for the active component was right. I think it has been a plus for us in the reserve.

Dr. SNYDER. So the general routine, someone would be mobilized and they would probably undergo training for three to four months, spend seven months on the ground and would be discharged shortly thereafter. Was that—

General MCCARTHY. Yes, sir. I think that probably the front-end training will be a little less than three to four months. And there will be a reasonable time for decompression at the end. What we want to do is give commanders a lot of flexibility on that end piece.

There will be some Marines who would like to be released from active duty as promptly as possible. There would be others who would like to stay for the full period because it becomes a more predictable return to school or whatever the situation in their life is.

So on the back end, we want commanders to have some flexibility in terms of when they release people from active duty.

Dr. SNYDER. General Sherrard, we talked about health care issues several times today. It is my understanding that the Air Force Reserve has less problems with medical and dental readiness than other components of the reserve forces. Is that accurate? If so, why is that?

General SHERRARD. Sir, I can't address whether my statistics are better than the others or not. But I would tell you, as was stated by the TAG from Florida in the first panel. We are unique, I believe, in the blue suit community in the fact that we have our own organic medical capability inside our organization. And that gives us the ability to give the physical assessments and the dental assessments there.

That being said, the dental assessments are very, very tough for us because we have a small number of dentists. We have the annual dental exam that is necessary. And we are trying to offer some initiatives that possibly could help that.

We cannot provide any service to them. If they find there are cavities or something of that type, we are not allowed to go do that unless they are on an active duty tour for which they are qualified then for TRICARE support.

At our host locations, at our Air Force Reserve Command (AFRC) locations, in order to help with that physical requirement, we actually initiated several years ago a 27-person physical evaluation team so that we could give physicals without impacting on the readiness of the remainder of the medical squadron that has combat readiness training that they must do.

Because we were finding that we were providing physicals for our forces, but at the same time, our medical readiness was going right down the tubes in terms of what the medical personnel had to be capable of doing in order for them to deploy. And we have been able to keep both ends afloat by having this medical evaluation team doing it.

Dr. SNYDER. And my last question, General Sherrard, is for you. It is kind of your speak now or forever hold your peace question. This is your last time to testify here. Are there things that we haven't touched on that you think would be helpful for us to know, for the Congress to know, or topics we haven't addressed? Or we have also had great metaphors today of cows, tea cups and peanut butter. If you have any good metaphors you would like to use, this will be your last chance for that too. [Laughter.]

But is there anything that you are concerned about or things we should be thinking more about that we haven't talked about?

General SHERRARD. Sir, I, you know, there are a lot of things I would like to say that I really can't because it is not proper for me to even address them other than if you had all the capability in the world to fund whatever you wanted, this is what you would go do in a perfect world.

But I would go back to what I said in my earlier statement. I think the most essential thing for us to do from my perspective is, one, to make certain we have recruiting and retention capability that we keep the most qualified force.

I briefed this committee before in years past and I will still tell you—and again, I speak for the Air Force Reserve, I won't try to speak for my other colleagues—it is essential for us to retain our members, in our world, for as long as we can because of the high experience base they give us.

Currently today, all enlistment incentives stop at the 20th—actually at the 14th year, for the six year enlistment they may get. So at 20 years, it is all over. They are critical and valuable assets from year 20 to 30, or 33 if you take them all the way to high-year tenure.

The other piece that I would push very hard for is the issue of fair and equitable treatment and studying that as seriously as we can to make certain and not be afraid of someone saying you are pricing the reserve components out of existence.

Because I go back, and again, I will only speak for my force, we are providing approximately 20 percent of the Air Force capability for about 4 percent of the Air Force Theatre of Operations (TOA). That is a great return on America's investment that they have made in each one of us. We need to retain those members as best we can.

And in terms of fair and equitable, we need to make certain that they, in fact, up on the time that they would be serving a full 30-day period, there shouldn't be a difference between what a reservist can earn and the benefits that he or she is entitled to, vice an active duty member.

And I know in this compensation report that has just been released it talks about the 1/30th rule. The 1/30th rule is fine. We just need to make sure that the opportunities for compensating that member based on the 1/30th basis is in fact fair. And there



are two examples I would give you that I spoke to earlier today in another presentation.

Enlistment bonuses in the Air Force Reserve, we are allowed to do one re-enlistment bonus at a six-year period with a very small stipend. And I appreciate that we have it at all, compared to the active force who can do multiple, a larger number, there is a great inequity there.

Critical skills bonus, we don't have that authority to grant, and yet, the active force has it.

If on mobilization you truly then run into the issue of the have and the have nots, when you have two people working side by side, doing the same job, the same skill that is viewed as critical, and yet one member is not able to be compensated appropriately.

I think those are things that we as a body all have to work in order to keep those highly experienced members in our force.

Dr. SNYDER. Thank you. Thank you for your service.

General SHERRARD. Thank you, sir.

Dr. SNYDER. Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentleman.

The gentleman from Kansas, Mr. Ryun.

Mr. RYUN. Mr. Chairman, thank you very much for holding this hearing.

I would like to thank the panel for their patience and also for their dedication in serving our country. We all owe you a great deal of debt as a result of what you have done.

I would like to direct my question, if I may, to General Blum.

A recent Defense Science Board study concluded that if the U.S. homeland was attacked, the Department of Defense could be called on to assist with incident response. However, the execution of this mission would require capabilities in areas where the department is deficient, including mitigation, the ability to surge medical capabilities and communication operability.

This report went on to call for increased emphasis and priority in funding for these areas.

I believe you are aware of one specific proposal to address this deficiency. This proposal would establish an Air National Guard wing tasked with providing dedicated support for U.S. Northern Command (NORTHCOM) for homeland defense and homeland security missions.

This proposal further calls for this dedicated mission to be co-located with civilian support teams and emergency medical support units. This would allow an immediate and appropriate response for homeland security missions.

I understand there are concerns about where we secure these C-130's for such a mission. I realize that is a real problem.

But let me focus on the mission itself.

Do you believe that providing a dedicated mission of this type is important and consistent with the National Guard homeland security mission?

General BLUM. Yes, I do. Now, I am not referring specifically to that unit and that specific capability that you are talking about to be located in that exact location, although it may come out that that is exactly where it goes and that is exactly what it looks like in the end.



Mr. RYUN. But you see the need for it.

General BLUM. But in general, the National Guard is insufficiently organized, trained, equipped and resourced to do what the Nation expects it to do when we are talking about homeland defense and being the first DOD responders called out by the governors, initially, to support a lead state agency and ultimately support a lead Federal agency when either left in Title 32 status or switched over to Title 10 status and federalized because the Department of Defense wants that same force working for Northern Command or DOD.

It doesn't matter who we are working for. The work is there, the requirement is there, the threat is real, and that is why we are transitioning. Without waiting to be told what to do, we are converting and developing capabilities in the Army and the Air National Guard to do urban search and rescue, to do mass decontamination, to do exactly the type of things you are talking about.

And the forcing function for that is the joint force headquarters that has already been established in every state and territory in this country.

We see a dire need for that. I hope we need it. But the day we need it will be the day we better be able to produce it and we better be able to respond as National Guardsmen, as 21st century minutemen, in minutes and hours, days and weeks. And then we will be in this committee talking about why we didn't foresee what we should have foresaw and taken the actions that we are taking right now.

Mr. RYUN. So you see the need for it, even though there is not the funding at the moment—

General BLUM. Absolutely.

Mr. RYUN [continuing]. And it is coming together in terms of a general plan?

General BLUM. Absolutely. And we have developed 10 regional weapons of mass destruction, chem/bio response force packages that couple these capabilities I am talking about with existing civil support teams so that there is a force package that can respond to any region, any Federal Emergency Management Agency (FEMA) region of this country if called on either by the governors or called out to respond to General Eberhart of the United States Northern Command or Admiral Fargo in the Pacific, in Alaska and Hawaii and Guam and the Marianas.

You know, in case our citizens of our states and territories need this capability, the guard is committed to delivering it.

Mr. RYUN. Well, thank you very much for your time.

Mr. Chairman.

Mr. MCHUGH. I thank the gentleman.

The gentleman from North Carolina.

Mr. HAYES. Thank you, Mr. Chairman.

Going back to the topic of TRICARE for our families at home, I left out a very important term.

We had the gentlemen here that provides the private health plans that encompass health care, but I did not use the term when I asked the question, "health benefit advisers." These are the folks that are available to help people find the care and the treatments that they need.

Can you all comment on how you will move forward with the folks that are providing the service to make sure they have the health benefit advisers, particularly the people in rural areas?

General comments on that would be helpful.

Secretary HALL. I can comment on it and any of my colleagues that want to.

We, as authorized, are hiring the 11 providers. And of course the regions are changing to three. And how exactly you will use the eight—but we are proceeding. Those names are being provided to us. And those are ready to be provided by region.

In addition to those, though, there are over, I think, 400 of the advisers nationwide that can advise our members, both active, guard and reserve, on their benefits.

So we are moving forth to provide the coordinators by region. And as we neck down to three regions, we will have this centrally coordinated.

But we will have other coordinators throughout the region that can specifically talk to health care benefits for both active, guard and reserve for TRICARE.

And so that is sort of the broad way. And that is done. Now those names are being provided, the people are being hired as those senior providers.

Maybe some of my colleagues want to discuss that for their particular area.

Mr. HAYES. General Blum.

General BLUM. In North Carolina, with the 30th now deployed, you should be able to go to any of the armories from that brigade that are deployed, and there should be a person that can direct any family member with a pay problem or a TRICARE problem or an employer problem or any other family support, family readiness-type issue, they should be basically trained and qualified to direct and remedy that problem or get that family member to a person who can in fact do that.

The joint force headquarters in every state and territory, we have 400 of those locations stood up mostly in armories of units that are deployed with a cell that is left behind so that the family member knows they can go to the local armory to get that problem addressed.

We will also do that for any other service member, active or reserve, that happens to be in that zip code or local area, if they want to come in there for assistance also.

And I don't know if General Schultz wants to address any further on that or General James or anybody else.

General BLUM. If you should find, sir, that they are not trained and adequate to handle TRICARE, pay problems or the Employer Support of the Guard and Reserve (ESGR) problems or in the full scope of family readiness issues, if you will get back to me, we will assure that they either get the training they need, or we will get somebody down there who can.

Mr. HAYES. Well, I appreciate that. I just want to be sure that you all, in the roles that you play, keep this issue in front of the providers and everyone else. I have been working with Nurse Schwartz. She understands the whole thing very well.

General Blum.

General BLUM. Yes, sir.

Mr. HAYES. Did you happen to see the broadcast news yesterday?

General BLUM. Pardon?

Mr. HAYES. Secretary Bremer was included.

General BLUM. Yes, sir.

Mr. HAYES. If you did, if I am not mistaken, General Hickman was sitting beside him.

General BLUM. I did not see that, but I would not be surprised, because General Hickman——

Mr. HAYES. For you all who are not in the loop, General Hickman is with the 30th Brigade in the North Carolina National Guard, and General Blum and I were in Fayetteville. I, we, not only welcomed them back, but General Myers and General Blum were there to give them a tremendous and rousing sendoff. And I failed to mention that, but I happened to just have walked in and seeing it, I think that is who was sitting there.

Again, thank you all. Stay at them.

Thank you, Mr. Chairman.

Mr. MCHUGH. Thank the gentleman.

The gentleman from Tennessee.

Mr. COOPER. Thank you, Mr. Chairman.

I have been in suspense all afternoon, because the Chairman said he was going to punt the ball to this panel, so I have been waiting to see whether you all would catch it or not.

Now it is the moment of truth——

Oh, fair catch, no problem with that.

I had asked earlier about an expected downsizing in battalion headquarters, also an expected downsizing in armory. If you could respond to those two questions, that would be great.

General BLUM. Thank you. I appreciate the questions.

All three of those questions are very insightful questions, and they are very legitimate questions. And they need to be answered in the context of something I discussed just a little bit earlier. But if the other members will permit, a real quick review of that.

If I throw up this chart that shows you the strategic reserve moving to an operational reserve, in other words, taking us from what the guard was organized, resourced, set up in statute and set up in policy, equipped, all the parameters, it included an over-structured force, bigger than it could fill. And that made a lot of sense when we were a Cold War deterrent force that was going to be filled up over a long period of time, where we pumped money and equipment and draftees, mostly, into filling up our vacancies, and we could be a cadre level force.

The problem is today we are an operational reserve, and we are required to go out the door at C-1, in other words, 100 percent manned, 100 percent trained, ready to go, your equipment is ready, all your people are filled up, all your skill sets are there.

When you have a unit that is not filled up completely, it is like that pitcher of water on the table: If you want a full pitcher of water as a combatant commander, you have to take two of those pitchers, perhaps three, and pour them together, to level off one, and you have one full pitcher and you send that overseas.

But what you have is two degraded pitchers, so the next time you need a pitcher of water, it gets tougher.



And then by the time you get to the third iteration, which we are on right now, it even gets tougher.

And pretty soon, you have an empty pitcher and then we will be in here explaining to you why we have this empty structure.

Well, we were designed that way. We need to move away from that, sir, and we need to move the full-time manning, the resourcing, the equipping piece from this overstructure into a smaller, more capable, more ready force.

That means we will have to take down some headquarters. The exact number, nobody knows. There is not a human being on earth that knows the answer to that right now, period.

Now, the Army is going to modularity, which means they are going to have smaller, more units, smaller units, with more capable, more agile units. That plays very, very well and serves the National Guard community-based model very, very well. And it probably means that the number of units that come down will be significantly mitigated, because the Army will go from three companies in a battalion to four, three battalions in a brigade to four, four brigades in a UEX, from three to four. So there is about a 25 percent growth in combat service support units, Army-wide.

As we redistribute and rebalance the Army, we will benefit from that. So if you were to ask me, how many units will Tennessee actually lose, I don't know. Nobody knows.

If you ask me, how many will they gain? I can't tell you that.

But what I can tell you is they will have all of the units they can fill. They won't have any more units than they can fill with trained and ready and deployable soldiers.

And right now, if we were to do that, that means if General Burnett's numbers that he was using earlier are even close to accurate—and I think they are—we are talking about a 10 percent reduction in the size of the Tennessee Guard, which means about a 10 percent reduction perhaps in the number of units that are there, mitigated by the modularity, which means it may only be a 5 percent reduction in the number of units, but there will be nobody in the Tennessee National Guard that would have to get out of the National Guard because we don't have a place for them. They may be reclassified, doing a different job.

For instance, they may no longer be artillery that is no longer relevant or useful to fight the Global War on Terrorism and the future threats we see; they may convert from artillery to military police or they may convert to civil affairs or they may convert to information operations or to an intelligence unit or something that we see as—or maybe one of these civil support teams or weapons of mass destruction counter-response units which are both useful not only to the governors, but useful to the combatant commanders overseas, because none of the combatant commanders overseas will ask for some of the structure that exists in an Army Guard.

We are overstructured in some things that really are no longer relevant for today's Global War on Terrorism or any of the future threats that we see on the horizon.

That doesn't mean we are going to get completely out of artillery. It doesn't mean we are going to get completely out of any combat, combat service support or combat support area. It means we are going to take a legitimate look at what we have too much of that



has not gotten into the war fight because it is the wrong kind of unit with the wrong kind of capabilities, both for governors and for General Abizaid over in Southwest Asia or any other combatant commander and change that unit to be something that is ready, reliable, relevant and accessible for both homeland defense, the national security strategy, the homeland defense, and on the 1-4-2-1.

I want it to be equally relevant against all four of those sets.

I hope that is helpful.

Mr. COOPER. Well, I am not faulting you and I am not faulting rebalancing. But probably it is a good idea. But we need to know specifics. And we need to know them with enough advance notice so that we can be effective representatives.

And I was a little worried because last year we got a proposal to restructure DOD civilians, all 700,000. And I think we had about 10 days from introduction of the proposal to vote.

General BLUM. Well, the governor of Tennessee and the adjutant general of the Tennessee National Guard will not rush to failure on this and will not give things up before they know what those things are going to be replaced with.

I think that is fair, and I think that is a fair requirement on their part to know. And the other part, sir, that would be useful to know, is every single state and territory has an obligation to submit their state plan to us.

They should be building their future force in Tennessee and sending that to us, optimize their demographics, their geography, what they really need in their state to handle not only the homeland defense and homeland security mission, but what do they really want to have available and what percentages so that they can deploy their fair share, the burden share, of the 25 percent at a time, overseas.

Mr. COOPER. So we could be proposing to beef up civil affairs, MPs, things like that?

General BLUM. Absolutely, absolutely.

Mr. COOPER. Would it help you in doing your job if the National Guard had separate procurement authority so that you don't just have to deal with surplus equipment, hand-me-downs from active folks?

General BLUM. That has been proposed over time. It has been carefully studied. The right answer to that is that the services have to shoulder the full responsibility for their reserve components. That is the right answer. And the pressure really ought to be on the service components to deal with active, guard and the reserve and train, organize and equip them in a like manner.

If that were done, what you are proposing would not be necessary.

Mr. COOPER. But they don't do that..

General BLUM. They are making the first genuine honest attempt at it that I have seen in my entire military career under the current chief of staff of the Army and Air Force. The Air Force has been doing it.

I want to separate the Air Guard from this discussion because they have been doing it for about 20 years. The Army has never done it fully until now. And they are making an honest effort to do that. They are putting their money where their mouth is.

And if they continue to do the actions that they are taking right now, what you are suggesting would not be necessary. If for some reason they were to depart from that and walk away from that, that may be something worth exploring.

General JAMES. Can I add something to that? I don't want to take too much credit for the blue suits. I would say and I would ask Jimmy to agree or add to this, that if it weren't for the added account, we would not be as capable and as relevant as we are today.

There are certain things that we have been able to procure because of that account, like new pods and other things that have made us relevant for the war fighter and gotten us in the fight and an active member of the team.

Yes, we probably are ahead of the Army in a way in our relationship with the active Air Force, but I can't emphasize enough how much you do for us to give us the latitude to procure items that we need that are unfunded requirements from the total service point of view, that you give us that latitude and that flexibility to acquire those items and those pieces of equipment. And I just want to make that point.

General BLUM. It is a great point. It really is a great point. It does make the difference. It does make a significant difference. For the Army in the past, it has meant their survival, frankly. And we are not ready to walk away from that until we—we have a lot of catch-up to do and with equipping the Army Guard.

Mr. COOPER. When the unit has been converted from artillery to say, MP, who picks up the cost for that? And is that depleting your budget if you have to eat that cost? Or who is paying for it?

General BLUM. The cost of that would be paid by the services. This is being done in full partnership with the Army conversion, the Army transformation, the Army Guard transformation.

And General Helmly can talk to the Army Reserve. But I will tell you that this is the most collaborative team approach that I have ever seen actually attempted and actually working.

I mean, this is no longer three armies at war with itself. This is one Army trying to fix what makes sense for the United States of America.

I will tell you that I could never have said that before today in a hearing like this.

Mr. COOPER. Well, you are very encouraging. I wonder if previous committees and previous panels would have heard that we had in fact three armies that were at war with themselves. Because usually people tell us more of the positive spin. But I am glad—

General BLUM. I have witnessed the Army at war with itself and it is not a pretty sight.

Mr. COOPER. Thank you, Mr. Chairman.

Mr. McHUGH. Thank the gentleman.

I was remiss in my first round of questions when I talked about the recruiting goals and went down the line. I skipped General Helmly. If you would like to make comments, I don't want to deny you that opportunity.

General HELMLY. Congressman, I appreciate that. I can very quickly give you the statistics. At current, we are almost 99 percent

of our enlisted recruiting mission for the year. Our retention mission is off. We are at 90 percent.

And I would next state that retention—I agree with General Sherrard. We should be seeking ways to retain soldiers longer. And indeed, General Sherrard's remarks about the fact that in the reserve components our members are allowed to receive one enlistment bonus vice multiples, those bonuses are smaller.

I give you an example. The Army came here, received authority to pay a selected re-enlistment bonus that now is providing a \$10,000 bonus to a soldier who re-enlists while serving in Iraq, Afghanistan or Kuwait. And of course the advantage for the soldier there is all or most of that is tax free.

I went out, ordered that that be implemented, believing on the advice of our attorneys that it was applicable to reserve component forces. In the space of five days, we had 11 members who signed re-enlistment contracts. I then was informed that it was not applicable to reserve component forces and that the reserve component member can only get \$2,500 for a three-year reenlistment, or half, \$5,000 because now the Army is using \$10,000.

I cite that as proof positive that—and as Secretary Hall said, when our soldiers, sailors, airmen and Marines are serving in the operational theater, that is where they are serving side-by-side. And they perceive inequities based on examples such as I just gave you because they are saying we are both in intermingled companies, squadrons, et cetera, and that that is an inequity.

Last I would cite simply that as we use this force, we should be sensitive to the people side. And the longer we retain our people, the higher quality we have. That transfers into higher rates of readiness. They are proven. They are strong. And we, in fact, have a somewhat industrial-age process toward looking at recruiting and retention. And we recruit as many as we retain.

If we can lower that number, we will save ourselves money. We will improve readiness. We will improve quality. We will improve leadership.

And so I believe that dollars in retention are all well-invested dollars.

Mr. MCHUGH. Thank you very much.

I can tell you that I think every person on this subcommittee and full committee as well fully agrees with your observations with respect to those re-enlistment bonuses and the tax implications. And they are significant. And the unfairness of that, we are going to fix that in our bill. And I think the department supports that. And that is just plain wrong. And I am not sure how that happened.

General HELMLY. I believe it was oversight, Congressman. I might add, because I believe that on the Title 10 part of that, that read was that it was applicable, but it violated another provision in Title 37, which is another example, because the Title 37 is the title that starts to restrict. If we didn't have that \$10,000 bonus in theater, it restricts, as General Sherrard said, the number of bonuses a reserve component member can receive, et cetera.

Mr. MCHUGH. Or lack of oversight, perhaps.

General HELMLY. Correct.

Mr. MCHUGH. Let me ask a final question, not counting the written questions we are undoubtedly going to submit. General Helmy



just mentioned the inequities, and they are important. And I heard that a lot in our first trip. Mr. Hayes was gracious enough, along with some other members, to join us.

The members of the guard and reserve are very, very sensitive to that. They are all being asked to do the same job. They are obviously in the same base, same theater. And they had a real perception they were being treated inequitably and unfairly versus their active component counterpart.

Let me reverse that a little bit, though, and ask you your opinion. We have asked this of previous panelists that have appeared. A lot of talk and we have had some legislative initiatives that would try to do the right thing, and I truly believe that, in providing a mechanism, taxpayer funded, that would make up the difference between what a guard and reserve member who had been mobilized makes in the private sector versus what their guard and reserve pay is.

And there is a real price to pay amongst these people, and particularly the independent business men and women and those who have single practices, whether they be physicians or insurance or real estate or whatever. Sometimes they lose their business. So I think the motivations are understandable.

However, what challenges, if any, does that provide that where now you have two soldiers out there doing the same job, taking the same fire, you know, in Fallujah or wherever they are where one is getting paid substantially more under the provisions of that act, versus the active component receiving the standard pay?

And obviously, you folks represent the guard and reserve. Do you see that as a problem?

Secretary HALL. I would like to comment on that.

Mr. MCHUGH. Mr. Secretary, please.

Secretary HALL. My 34 years were all active service, so let me speak from the active duty side because you are asking a question—I now represent the guard and reserve.

And what I would say is, first, we have about 350 companies that are freely doing that. And we applaud those companies that are making up a difference. That is a private decision by them.

But I would urge caution if we go into any sort of income-type of differential that is funded. Not that it isn't a good idea, but I think we do have to think about that active duty person.

Many of the people I serve with throughout the time were active duty as sailors. E-3s, E-4s, E-5s, they didn't earn as much as a lot of the higher range.

And when that person might see the same person come from the civilian word who might be earning \$150,000 or \$200,000, and now comes down to their pay, and we have a taxpayer-funded differential that brings them back up to that, I think it is a legitimate question that that person will say, "Well, I have been earning this \$40,000 for the past 10 years trying to support my family. What do you earn?" He says, "Well, \$200,000."

We just have to be cautious on that.

I recognize that the person in the guard or reserve at the \$200,000 level has obligations and mortgages and lots of things, and lots of reasons they are supporting their life style.



But I do think we really have to think, on the reverse equity, of those two. And we might want to do something. We might be able to develop that. But we have to do it in a very cautious way. Because those sailors will talk, those people will talk, and they will ask each other what they earn. We have to be prepared to have a legitimate reason why we have an E-4 earning \$200,000 from the private sector and E-4 earning \$50,000.

Mr. MCHUGH. We had an insurance approach back in the first Gulf War that failed miserably. But would perhaps a new approach to that offer be a better..

Secretary HALL. We thought about that, and none of us would want to return to the one which failed. Because as you recall, we did not have anyone paying in and capitalizing the fund. You only took out the insurance when you knew the hurricane was going to hit. [Laughter.]

And at that point, we are about \$80 million along.

So should we do that, it would have to be a fee-based, we would have to capitalize it.

I don't think we should discard it just because we had a flawed program. There may be some sort of a private insurance which you would pay into, capitalize it, might be one of the ideas and we are looking at that.

But again, we don't want to rush into that and have a repeat of that.

General HELMLY. Congressman, may I comment please?

Mr. MCHUGH. Absolutely. General Helmly.

General HELMLY. I do not disagree with Secretary Hall at all. But I would approach it from a different perspective.

While we are all concerned about, if you will, fairness, and concern for service members active, guard and reserve and their families, I approach it from an institutional perspective that says there are certain skills that the department relies upon more heavily in guard and reserve members. And if I may, I would like to cite professional medical skills.

It is one thing if I am making \$200,000 as a real estate or a private attorney or something; that is the issue that we just touched on. And I believe there that we should all emphasize to our members, there is an element always of service and sacrifice to the Nation involved, and just emphasize that up front.

But on those skill areas that the department is more reliant upon reserve components for, and in the Army, the Army has two-thirds of its battlefield medical care professional force in the Army Reserve. Those are the areas that we can provide some specialized, discreet protections for those forces.

Perhaps income protection is not one. But in the case of practitioners, dealing with their malpractice insurance is one that has been often cited that would be helpful. Because when they close their practice, they still have to pay into their medical malpractice insurance because there is now way of telling when cases that they took over in private practice would file a suit against them, and then they are away.

In fact, we tried to only rotate those professionals now for 90 days at a time, being sensitive.

Perhaps income protection for them is not the answer. But certainly the specialty pay is one that might make sense. Because in the reserve components, in fact, we have some very highly skilled physicians and surgeons, and they are still subject to the 1/30th rule.

So it is my judgment that we should look at these discreet areas with a specialty, perhaps not for income protection, but to ask ourselves what we can do to protect that source of very specialized skill-rich manpower, which our forces rely upon.

And when the soldier, sailor, airman and Marine is lying on the table in a combat support hospital in Baghdad, they aren't asking, "Is it an Army Reserve physician?" Is it an Air Force Reserve technician who is administering them on the medivac plane to Germany? They just want help. And we want to provide them with the very best.

Mr. MCHUGH. Anybody else?

General SCHULTZ. Mr. Chairman, not everybody in the Army Guard is disadvantage by the current system.

Mr. MCHUGH. Right.

General SCHULTZ. We estimate 70, 75 percent perhaps are not at all adversely effected, similar pay comparable kind of entitlement from the current programs to where they are today.

But I do believe—I am with General Helmly on this—we need to focus on a target of population that perhaps considered none of the skills we have to have but might be at risk of staying in our formations. And you know, we desperately need them.

So I think that would be the discussion I would have, is to focus on areas in the population that would have to have some kind of special attention.

Mr. MCHUGH. In fact, about a third make more money.

Secretary HALL. Yes, they do. About one-third make more, about one-third the same, and about one-third do suffer some loss.

Mr. MCHUGH. And the record should show, we are not going to ask those who make more money to give anything back. I don't think would be appropriate.

Anybody else?

General SHERRARD. Sir, I just would echo what I said initially. I think it would be wise for us to look at—take an evaluation of making—I will use the word compensation in the broadest terms—it equitable across and see if that changed your one-third, one-third, one-third formula. My belief is it will.

And then if it still does not correct the issues that General Helmly and General Schultz have talked about, then that could be the next step to go look at.

But I think if we just walked up and laid out the compensation that could be made if we made things fair across the board, that if in fact they were all on a 30-day tour, if everybody there, everybody looks the same, I think you would reduce that one-third number rather significantly and start down the road toward making it really something that we can all stand for, and explain why there is an issue, why we have the circumstances that we face today.

Mr. MCHUGH. Well, the reason it is warm in here is not the lights. It is that we have 24 stars shining at the front table here. [Laughter.]

You have been here a long time, and gentlemen, we appreciate that.

Now, Mr. Secretary, you have at least three, maybe four, so we have quite an array. We are deeply appreciative, as I said, of your being here and your service.

We will have some written questions that we would be very appreciative for you to respond to for our record.

In the meantime, General Sherrard, again, best wishes for the future.

Best wishes to you all and to the brave men and women that you represent. Mr. Secretary, thank you for your service as well. And we are all pulling in the same direction. And hopefully, we can together, serve those men and women as well as they are serving us.

God bless them.

Secretary HALL. Chairman, I was remiss also in introducing someone of my command, Sargent Major Holland. And it is very important because I hired him after he came back from Iraq and Afghanistan as a combat veteran. And as soon as he got back, he deployed his wife to Afghanistan. And she has recently returned safely. And he is an experienced combat soldier. And I would like for him to stand up. He represents all of us.

[Applause.]

Mr. MCHUGH. And this is on C-SPAN so just in case your wife is watching, Sergeant Major, we know you didn't deploy your wife directly. [Laughter.]

Well, thank you all very much. And thank you, as I said, for your service.

And with that, we will adjourn the subcommittee.

[Whereupon, at 4:25 p.m., the subcommittee was adjourned.]





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# **A P P E N D I X**

**MARCH 31, 2004**

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**PREPARED STATEMENTS SUBMITTED FOR THE RECORD**

MARCH 31, 2004

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**Opening Remarks – Chairman McHugh  
Total Force Subcommittee Hearing  
Stress on the Reserve Components**

31 March 2004

There's a photograph circulating on the Internet of an Army truck convoy in Iraq that as much as anything I have seen captures what this hearing is all about. It underscores why it is necessary that we focus today on the reserve component elements of the Total Force. The photo summarizes exquisitely the new era and new realities that the men and women of the reserve components today are dealing with. And it should serve as a wake up call for all here who make the policies and laws regarding the Total Force that there are new realities that we, too, must deal with.

What you can see in the photo is a sunlit cargo truck with a driver and vehicle commander sitting in the shadows behind the windshield. It's just two reserve component soldiers doing their jobs in a place they probably never thought they would ever be. We might never have known their thoughts about that job or their changed circumstances except for the modest cardboard banner pasted to the windshield of their truck. The message from them on

the crudely lettered sign in soldier-direct words reads: "One weekend a month MY ASS!

Indeed, somewhere between 1990, with the start of Desert Storm/Desert Shield, and today, America's contract with its reserve components underwent a major modification. Certainly for the last decade the nation has been asking far more than one weekend a month from its reserve components and those men and women have answered the call magnificently.

We are at war. Some would say that such circumstances are exactly why we have a reserve component and it is the circumstance that most reservists should have expected to face when they volunteered.

But the new reality is that this war demands more from the reserve components than previous conflicts. Take just one metric: During Desert Shield/Desert Storm mobilization tours averaged 156 days; during Kosovo, Bosnia, Haiti, about 200 days; and during Noble Eagle/Enduring Freedom/Iraqi Freedom 319 days. Moreover, during Desert Storm reserve components were called, went to war, and then came home. Today, in the near term, 100,000 to 150,000 reserve component personnel will be mobilized annually for

extended periods to sustain troop levels in Iraq and Afghanistan. The longer term planning metric is that each reserve component member can expect to be mobilized at least once every five years, if not more frequently, for periods of up to a year or longer. That's a far cry from one weekend a month.

These are fundamental changes and we must pay attention to their implications. Today's hearing is part of the effort by this subcommittee to better understand not only the stress being experienced by the reserve components, but also to examine what is being done and what should be done, to sustain the viability of the reserve components.

Before I introduce our first panel or witnesses, let me offer Dr. Snyder, the Ranking Democrat on the subcommittee, a chance to make his opening remarks.

**[After Rep. Snyder's remarks]**

Before proceeding, I ask unanimous consent that a statement from the Air Force Sergeant's Association be entered into the record.

**INTRODUCE PANEL 1 WITNESSES:**

**I welcome our first witnesses who will present the perspectives of the Reserve Forces Policy Board, as well as the views of associations representing both the reserves and the National Guard.**

**Honorable Albert C. Zapanta**  
Chairman, Reserve Forces Policy Board

**Major General Douglas Burnett, USAF**  
Adjutants General Association of the United States and  
Adjutant General, Florida National Guard

**Maj. Gen. Robert McIntosh, USAF Reserve (ret.)**  
Executive Director, Reserve Officers Association of the United States

**I believe that this is the first opportunity for two of you to testify before this subcommittee, although General McIntosh has appeared before us in his capacity as a reserve component advisor to the Chairman of the Joint Chiefs of Staff. General Burnett, today you are wearing two hats: one as the representative of the Adjutant's General Association, and another as the Adjutant General of Florida.**

**Mr. Zapanta, you chair the Congressionally mandated Reserve Forces Policy Board, which is designed to provide Congress with**



**an independent view of matters pertaining to the reserve**

**components. I look forward to your testimony, and you may begin.**

**INTRODUCE PANEL 2 WITNESSES**

**Let me introduce our second panel of witnesses who will provide the Department of Defense and reserve component perspectives**

**Honorable Thomas F. Hall**

Assistant Secretary of Defense for Reserve Affairs

**Vice Admiral John G. Cotton, USN**

Director, U.S. Naval Reserve

**Lt. General H. Steven Blum, USA**

Chief, National Guard Bureau

**Lt. General Daniel James, III, USAF**

Director Air National Guard

**Lt. General Roger C. Schultz, USA**

Director, Army National Guard

**Lt. General James E. Sherrard, III, USAF**

Chief, Air Force Reserve

**Lt. General James Helmly, USA**

Chief, U.S. Army Reserve

**Lt. General Dennis M. McCarthy, USMC**

Commander, Marine Forces Reserve

**Most of you are old hands at this. General Sherrard, I understand that you will be retiring and that this will be your last opportunity in uniform to appear before us. I thank you for your service that began in 1965.**

**Secretary Hall, you may proceed.**

**STATEMENT OF THE  
HONORABLE VIC SNYDER**

**HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE**

**RESERVE COMPONENT TRANSFORMATION AND  
RELIVING THE STRESS ON THE RESERVE  
COMPONENTS**

March 31, 2004

Thank you, Mr. Chairman. I appreciate you holding this hearing with the reserve component chiefs and the representatives of the reserve associations. It is particularly timely given the increased operational demands that have been placed on the reserve components, as well as the transformation activities that are being implemented in the reserves. We are living in a new and dynamic environment and the challenges facing the National Guard and Reserves are enormous. It is important that we understand these challenges and how they impact the future of the reserve components.

Let me take a moment to recognize our witnesses—Mr. Zapanta, Chairman of the Reserve Forces Policy Board; General McIntosh, Executive Director of the Reserve Officers Association; and General Burnett from the Adjutants General Association of the

United States. I also want to welcome the second panel witnesses—Secretary Hall, Assistant Secretary of Defense for Reserve Affairs; Admiral Cotton, Director of the U.S. Naval Reserve; General Blum, Chief of the National Guard Bureau; General James, Director of the Air National Guard; General Schultz, Director of the Army National Guard; General Sherrard, Chief of the Air Force Reserve; General Helmly, Chief of the Army Reserve; and General McCarthy, Commander of the Marine Forces Reserve. I look forward to your testimony.

However, I would like to make a couple of points before we get started. First, stress on the reserve force is not just due to the increased operational demands of the past two years. Actually the demands on the reserve components began to increase shortly after the first Persian Gulf War in 1991. Since then the reserve components have contributed the equivalent support of over 33,000 active duty personnel for peacetime operations. In fact, the Kosovo and Bosnia operations are being sustained by the Guard and Reserves.

At last week's hearing I mentioned that there were 172,021 Guard and Reservists currently mobilized and 191,933 were demobilized since the Global War on Terrorism began. Close to



12,000 reservists have been mobilized more than twice since 1996, and except for the Marine Corps Reserves which has mobilized close to 60 percent of their forces and the Coast Guard Reserve which has mobilized 95 percent of their forces, the Army Guard and Reserve and the Air Guard and Reserve are at 30 and 38 percent, respectively.

The continued demands on the force do not seem to be diminishing any time soon; rather the demands actually seem to be increasing since nearly 40 percent of the force transitioning into Iraq will be reservists and Guardsmen. And, these service members are seeing longer deployments. The Army's announcement of "one year boots on the ground" means that a reservist or Guardsman will be away from his family, employer and community for close to 18 month or more—an eternity for a citizen soldier.

Second is the importance of improving the medical and dental readiness of the reserve components. Last year's news reports of soldiers who had never deployed and were placed on medical hold for months at Fort Stewart and other bases across the country brought attention to this ongoing problem. And, this is not just an "Army" problem. The Committee has also heard from

sailors and Marines in similar situations during our medical hold hearing in January.

There are many stresses facing our reserve forces, including the proposed transformation of the Guard and Reserves. The Army in particular is facing massive changes in the way that they do business. The proposed reduction in force structure, the creation and use of a TTHS account, changing the operation and rotation model of the force are attempts to reduce the stress on the force, but can also bring uncertainty that may actually add to the pressure on the force if not carefully implemented.

I look forward to hearing from our witnesses on their efforts to address the increasing demands on the reserve components and what changes, if any, Congress should consider to support these efforts.

Thank you, Mr. Chairman

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**STATEMENT  
OF THE  
CHAIRMAN  
RESERVE FORCES POLICY BOARD**

**HONORABLE ALBERT C. ZAPANTA**

**BEFORE THE**

**SUBCOMMITTEE ON TOTAL FORCE  
OF THE  
HOUSE ARMED SERVICES COMMITTEE**

**IN CONNECTION WITH**

**RESERVE COMPONENT TRANSFORMATION  
AND  
RELIEVING THE STRESS ON THE RESERVE COMPONENTS**

**31 MARCH 2004**

FOR OFFICIAL USE ONLY  
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HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE

## **RESERVE FORCE POLICY BOARD STATEMENT FOR HASC SUBCOMMITTEE ON TOTAL FORCE – 31 MARCH 04**

### **INTRODUCTION**

Mr. Chairman and members of the Subcommittee, it is an honor to testify before you today on behalf of the Reserve Forces Policy Board (RFPB), and the extraordinary men and women who serve in the Reserve components. My remarks will focus on several strategic areas and issues the Board has addressed that affect the Reserve components today and will continue to affect them in the future. We appreciate the support for the Reserve Components that you have demonstrated and we look forward to the opportunity to assist you as you develop legislation relating to them.

### **MISSION**

The RFPB provides independent timely policy advice, and recommendations to the Secretary of Defense on challenges facing the Reserve components. The Secretary of Defense has asked the Board to aid efforts to support transformation, rebalance and strengthen the Reserve components, and assist the Reserve components in reconnecting with America.

### **BACKGROUND ON RESERVE FORCES POLICY BOARD**

As provided in Section 10301 of Title 10, the Reserve Forces Policy Board is the principal policy advisor to the Secretary of Defense on matters relating to the Reserve components, and pursuant to subsection 113(c)(2) of Title 10, is required to prepare a separate annual report on DoD reserve programs and other matters considered by the Board to be appropriate for inclusion, for transmission to the President and Congress by the Secretary of Defense. The Board consists of 24 members that include myself as the statutory chairman, the Assistant Secretaries for Manpower and Reserve Affairs of each Military Department, and Flag



and General Officers from the Active and Reserve forces and the Coast Guard. The Regular officers are directly designated by the respective Service Secretaries. The Military Executive is designated by the Chairman with approval of the Secretary of Defense. The other Reserve officers are designated by the Secretary of Defense, upon recommendation of the Service Secretaries after the Chairman's review of their qualifications. Congress has repeatedly stated its desire that the Board act independently in its advisory and reporting roles—a position the Board steadfastly maintains and feels is more important now than at any time due to increased reliance on the Reserve component forces and mobilizations in support of the Global War on Terrorism.

We meet at least quarterly, conduct field visits to talk with our mobilized Guard and Reserve personnel and their leadership, and conduct Citizen Patriot Forums with business, community leaders, and families of deployed Reserve component members. Our statutorily required annual report is in final coordination and should be to the Secretary of Defense for transmission to the President and Congress prior to our April 20 Board meeting.

In the past two years, the Board has visited Headquarters, Joint Forces Command, Central Command, European Command, Pacific Command, Southern Command, Special Operations Command, Strategic Command, Transportation Command, and Northern Command to include Guard and Reserve personnel in the U.S., Puerto Rico, Guantanamo Bay, Bosnia, Kosovo, and Korea and we plan to visit Kuwait, Iraq, and Afghanistan in the very near future. I can report that our Guard and Reserve personnel serve with utmost professionalism and esprit d' corps.

### **MOBILIZATION RELATED CONCERNS**

The Total Force policies, Abrams Doctrine, downsizing, and increasing demands to support peacetime missions and contingencies have been major factors in the increased reliance on the Reserve Forces. From September 11, 2001, through the end of 2003, over 319,000 of the

1.2 million Reserve component personnel (about 27 percent) were called to active duty. Reserve component members were quick to support operations centers, flight operations, and to provide security at the Pentagon, World Trade Center, airports, seaports, and military installations around the Nation. They fought on the front lines in Afghanistan and Iraq and tracked terrorists throughout Asia and Africa. They are maintaining the peace in the Sinai, Balkans, Afghanistan and now Iraq, and participated in a wide range of domestic missions. There is no indication that this increased reliance on the Reserve components will change in the foreseeable future.

Since September 11, 2001, numerous studies, symposiums, conferences, and the documenting of lessons learned have been performed to closely evaluate how the Department of Defense (DoD) and the Services accomplished the business of mobilization and to pursue the identification of organizational and process improvements. Considerable evidence exists that the current mobilization process and organization is not sufficiently responsive to 21<sup>st</sup> century operational requirements and thus will not serve the nation well in the future. The goal has been to mobilize Reserve component forces based on operational plans developed through a deliberate planning process; however, it is generally recognized that the need exists to move toward a capabilities-based approach in order to better respond to the current threat environment. The Services have used predictable operating cycles and advance notification to prepare for mobilizations. The existing operation plans were not sufficient to guide mobilizations; thus, a modified process that relied on additional management oversight and multiple layers of coordination was utilized.

## Need For Mobilization Process Reform

The Chairman Joint Chiefs of Staff provided guidance to Commander, United States Joint Forces Command (USJFCOM) regarding the development of a more agile, responsive process for mobilizing Reserve component forces and individuals that requires changes in Service and joint doctrine, policy, and law. USJFCOM assembled subject matter experts from the Office of the Secretary of Defense/Reserve Forces Policy Board (OSD/RFPB), Office of the Assistant Secretary of Defense for Reserve Affairs (OASD/RA), the Joint Staff, CCs, Services, and all seven Reserve components to seek mobilization process reform. The Under Secretary of Defense for Personnel and Readiness (USD/P&R), in coordination with JFCOM, the Joint Staff, the Services, OASD/RA, and other OSD staff formed a working group to identify "Quick Win" opportunities to improve policy and process changes that could be implemented to improve the efficiency of the mobilization process. The Reserve Forces Policy Board participated in both these efforts, and additionally, has developed a long-term relationship with assisting JFCOM with mobilization process reform and other related issues. The Board developed a "white paper" on mobilization reform, a summary of significant issues, recommendations and actions toward mobilization reform in October 2003, which consisted of information taken from previously published reports, Board visits to Unified Commanders, lessons learned, and conferences.

The mobilization process typically begins with the identification of requirements, which are then consolidated and forwarded to the Joint Chiefs of Staff as "requests for forces" (RFF). The Services review approved requirements and coordinate with Force providers and Reserve component headquarters to verify individual and unit readiness. Finally, the Services issue mobilization (activation) orders to Reserve component units and individuals. This entire process can take anywhere from one day to several months, but normally takes several weeks. Most

Reserve component members complete the activation process within 24 to 96 hours though some Reserve component members require lengthy post activation/mobilization training that delays movement into the theater of operation. Unfortunately, problems (medical, dental, family, employers) can appear at any time during the process requiring a replacement that further delays the process. Factors that impact the efficiency of the mobilization process consist of: identifying valid mobilization requirements; negotiating the approval process; identifying and validating the appropriate fill; certifying individual readiness; notifying individuals in a timely manner; timely processing of mobilization (activation) orders; completing the activation process which include, for example, medical and dental certification, benefits/legal and mission related briefings, security clearance certification or processing, uniform and personal protective equipment issuance, establishing active duty pay accounts; and, validating mission specific training, equipment processing, etc. This process offers many challenges that can result in problems or delays that negatively impact individuals, families, and mission readiness if not done efficiently and effectively.

To ease the pressure on stressed Reserve force capabilities we have found that Combatant Commanders should request capabilities in as much detail as possible without specifying which service will provide them. All Services that have forces available to meet a valid requested capability should be used to meet requirements. This should be done without a bias toward selecting the Service that, in the past, has traditionally provided the requested capability. Joint Reserve component sourcing solutions should be sought that are judicious and prudent to meet all requirements externally to the Services, while supporting their internal Service requirements for the provision of additional activated forces.



To ensure judicious and prudent use of Reserve components and to reach a high level of efficiency and effectiveness, significant improvements to the mobilization process will require changes in policy, law, and doctrine. As DoD continues its commitment to winning the Global War on Terrorism (GWOT), the magnitude and duration of the conflict make the Reserve component's role essential. It is important to protect this vital resource and ensure it remains available and ready to respond. The decision to activate Reserve component forces must be made only after determining that it is both judicious and prudent to do so. The following precepts have been proposed, and supported by the Board, for consideration before sourcing a required capability to a Reserve component unit or individual:

- Activate Reserve component forces, with the consent, when possible, of the individuals being called to full time duty.
- Employ Reserve component units and individuals in a manner that maximizes utilization of core capabilities throughout the validated requirement or the length of the original orders to active duty, whichever is shorter.
- Give early consideration to the feasibility of using alternate manpower sources—such as active duty forces, coalition forces, host nation support, civilian contracted labor, technological solutions, or other means that may be available.
- Apply innovative management alternatives such as using retiree volunteers, civilian volunteers, and auxiliary members.
- Provide as much predictability as is possible to the Reserve component members, their families, and employers when sourcing requirements to Reserve component forces.

To get Reserve component members activated and in theater quickly will require innovation in our funding, training, and alert processes. The collective training time spent at

home and/or the mobilization station must be reduced. The right level of funding to improve sustained training and equipment readiness must be sufficient to reduce the time from activation to arrival in theater. Reducing the deficit between mobilized mission readiness levels and peacetime standards, manning and resourcing levels will enhance the responsiveness of these units while decreasing the overall activation period required to validate standards and to perform the operational mission.

For all but the most urgent operational requirements, the goal must be to provide the Reserve component members a minimum of 30 days notice to report for duty. Predictability can be extended to the maximum amount possible by notifying Reserve component members that they are being considered for activation. Once Reserve component members are notified of a probable or pending activation, it is necessary to be diligent in assisting them to certify their readiness to activate and help their families and employers prepare to meet the challenges of the activation period. Another important tenet of predictability is transitioning to the alert period by issuing activation orders as soon as it is operationally feasible.

Notification of Reserve component members of their pending call to active duty should be managed efficiently. It is necessary to be skillful in providing them the care and respect they deserve, even when the conditions of their activation are uncertain and the environment is changing. Predictability for Reserve component members, their families, and employers is extremely important. Additionally, a good approach would be to exercise care when notifying Reserve component members of pending activation to ensure that irreversible employment or personal financial decisions are not made prior to the actual issuance of activation orders. Included below are some recommendations, concurred with by the Board, to improve the mobilization process to meet today's operational needs:

- Identifying one organization as the single source process owner for identifying requirements, generating requests for forces, and sourcing requirements based on capabilities;
- Developing a standard operating cycle concept to help increase predictability;
- Reviewing and improving the effectiveness of the existing Joint Billet validation process;
- Ensuring requests for forces are prioritized and filled as they are generated; replacing sequential decision making with a parallel and collaborative process;
- Streamlining the activation/mobilization process for Reserve component members and equipment to remove duplicative processes and repetitive training;
- Increasing full time support manning to adequately support the mobilization process;
- Developing policies and mobilization guidance that makes the process more efficient;
- Automating the process as much as possible and developing capability for all process owners to see the status of individual and/or unit processing;
- Improving supplemental personnel equipment issue process;
- Capturing readiness information on the resources within all the units that are available to meet the tailored requirements of Combatant Commanders to improve visibility to key mobilization officials within DoD, the Joint Staff, Combatant Commanders, and the Services;
- Investing resources early to enhance individual and unit readiness, with particular emphasis on pre-mobilization medical and dental screening and care, member processing, security clearance processing, training for mobilization, and equipment processing; and,
- Improving the tracking of medical conditions of individuals in a non-deployable status to ensure deployability

The Board recognizes and applauds the fact that all Services, OSD, Joint Staff, Component Commanders, and Reserve components have been diligently working to improve the

mobilization process, rebalance the forces, and develop sustainability and predictability. Support and cooperation from DoD, Congress, and collaboration among the Services, Joint Staff, RCs, Combatant commanders, and various defense agencies is necessary to make the mobilization process more relevant, efficient, and effective. The Board has supported and participated with various agencies within and outside of DoD in developing the best policy, as well as proposed legislative change recommendations, to reform the mobilization process.

### **Changes That Support Pre-mobilization Training**

Each Service has occupational specialist training for its personnel, though it may be identified by a different name in each of the Services. Reserve components consist of individuals that are either prior service or non-prior service personnel. Each Service component is challenged to a differing degree in training these personnel quickly to both meet deployability and unit readiness standards. While a unit may have willing members filling required positions, service members may not be deployable because they are not qualified in their occupational specialty. Non Prior Service members recruited under a split enlistment option (to accommodate civilian education schedules) may have attended basic training but may still be awaiting a school seat for occupational specialty training. Prior Service members may have been recruited to a unit due to domicile proximity but may not have retrained in the appropriate occupational skill. When a unit is activated, cross leveling may be required to fill the skill vacancies created by the above situations. The Board supports a change in DoD regulations and/or statutes to provide for the capability for Prior Service and Non Prior Service members to retrain as required within 12 months from initial entry-level training, or upon commissioning.



## **Need For More Flexibility to Better Support Volunteerism**

There exists a need to reduce involuntary activations to support contingencies. This, in effect, means there must be a greater reliance on the use of volunteers to achieve this goal. Current policy, law, and regulations are not conducive to supporting RC members performing extended active duty in a volunteer status. One area that significantly impacts volunteerism is the fact RC members currently count against active duty end strength and controlled grade limitations (Sections 115, 517, and 523 of Title 10) if they serve in excess of 179 consecutive days on voluntary active duty orders or in excess of 270 consecutive days in support of a combatant command. This impact is somewhat mitigated through delegation of end strength waivers to the secretaries of the military departments at the end of the fiscal year. However, all Services currently employ volunteer force management procedures based on the potential impact on end strength and controlled grades. Removing these restrictions will reduce the uncertainty associated with the current waiver process and facilitate the use of volunteers in support of increased operational commitments. The Board supports a change in policy, and if appropriate for the long-term, legislative change to Title 10 to allow the Services greater flexibility in managing and employing Reserve component members in a voluntary status in support of contingencies.

## **Need For Joint Automated Tracking System**

The current process of mobilizing Reserve component members is fragmented with "stove-piped" and incomplete tracking systems. These systems are not standardized or interoperable across the joint community and do not offer leaders and process users visibility of critical information required to make timely and accurate decisions. The Services, Combatant Commanders and joint planners have indicated the need for a common system of tracking

Reserve component personnel in the mobilization process from individual notification through demobilization. Thus, there is an immediate need to develop a joint tracking system to track and manage individual Reserve component members. Long-term focus should be on developing a DoD-common mobilization system, integrated and compatible with current and planned DoD and Service readiness, personnel management, and operational planning systems. The Services have recognized this problem and already have systems in place or under development to improve personnel tracking; however, these systems are not integrated nor do they contain consistent data elements. The Board believes an initial approach would be to integrate existing Service specific system data, to share this data across DoD at the appropriate levels, and to dedicate funding to accelerate further system development.

### **Need For Improved Individual Medical and Dental Readiness**

The state of individual medical and dental readiness prior to activation has a tremendous impact on individual Reserve component members, on overall unit readiness, and on the effectiveness of the mobilization process. Some Reserve component members arrive at the mobilization processing station without prior/proper medical or dental screening. Often, these members have medical or dental problems that delay or prevent deployment. Additionally, Reserve components have difficulty in complying with annual medical/dental readiness requirements because the Defense Health Program only funds Reserve component medical and dental care for Reserve component members who are on active duty for more than 30 days. Compounding this problem further, Reserve component members often are unable to use medical and dental treatment facilities for statutory and regulatory screenings because treatment facilities do not have sufficient resources to provide the necessary screening and care. The following approaches could significantly improve this deficiency: Implement DoD Individual

Medical Readiness (IMR) standards; improve the categorization and tracking of individual medical readiness of all Reserve component members; revise Section 1074 of Title 10 to include funded medical and dental examinations and appropriate treatment to meet required readiness standards for all Reserve component members regardless of duty status; and/or resource medical and dental readiness at a level that will allow Reserve component members to meet/maintain the statutory and regulatory requirements for medical and dental screening and readiness standards.

The Board recognizes that keeping all Reserve component members fully ready, medically and dentally, is costly; however, with our continued reliance on the Reserve components, the need exists to determine the best alternatives to achieve this goal. One advance in this direction has been the policy for standardization of individual medical readiness reporting issued by the Office of the Assistant Secretary of Defense for Health Affairs, and which the Services are implementing. Another advance is legislation to allow for medical and dental screening and care of Reserve component members who have been notified they will be called to active duty for a period of more than 30 days. DoD policy broadens the applicability of this provision by stating that a member of the Ready Reserve may at any time while in a military duty status be provided any medical and dental screening or care necessary to ensure the member meets applicable medical and dental standards for deployment, as provided in accordance with policies and procedures of the Military Service and Reserve component concerned. The effectiveness of these policies throughout the Services and Reserve components will require close evaluation to determine whether they should be modified.

### **Need For Enhanced Family Support**

Since the Gulf War, much has been done to improve all areas of family support, particularly healthcare; yet there is still a significant lack of understanding, access to, eligibility

for, and rules governing TRICARE benefits, plus a lack of understanding of the importance of maintaining current Defense Enrollment Eligibility Reporting System (DEERS) information. These programs are complex and often not designed with our Reserve component members in mind. Considerable work still needs to be done to ensure continuity and equity of healthcare for the families of our Reserve component members. This is particularly important due to fact that approximately 50 percent of our Reserve component members' families do not live within reasonable proximity to Military Treatment Facilities. The goal needs to be family healthcare and family healthcare education at the right level for the right person at the right time at the right cost regardless of demographics and existing medical coverage. Continuity of health care has been the number one issue of the Reserve component Chiefs the last three years.

In addition, family members must be aware of and understand their military benefits and how to access them. Family Support Programs change frequently and it is challenging to keep Reserve component members informed about the latest changes due to their geographic dispersion. These Programs are important to many Reserve component members and their dependents upon return to active duty. There are some great initiatives within the Services to improve family support; however, much can be done to improve standardization and accountability across the Services. Family Support Programs are being designed from a Joint Service Total Force perspective and the Services and Reserve components are making every effort to ensure any member or family, whether Active, Guard, or Reserve, can use the family support programs available at any base or installation. Additionally, the National Guard has established over 400 Family Assistance Centers in the States and Territories to provide local support and coordination for services. All Services and Reserve components are also participating in Military One Sources, an employee assistance program accessible by a toll-free



telephone number and through the internet. The Internet is proving to be an effective tool, but has its limitations, in providing information about programs available to military families. The greatest challenge in providing support for the families of Guard and Reserve members is their geographic dispersion. Many Reserve component families do not reside close to an installation and therefore, cannot take advantage of those services. The Board supports the ongoing efforts to improve TRICARE and Family Support Programs for our Reserve component members but stresses the importance of timely education and assistance. This will be particularly important as we seek to utilize volunteers more frequently and for shorter periods of time.

### **Need For Enhanced Employer Support**

Increased utilization of the individual Reserve component members has also increased strain on employers. The Board is concerned that over a period of continuous mobilizations this factor will likely have a negative impact on the manning of our Reserve components. Measures must be put in place to ensure employer support does not become too great a burden, particularly for small companies, small business owners, and self-employed Reserve component members. Much is being done today by OSD, Employer Support of the Guard and Reserve, and Congress, but the Board believes there is a need to develop policy as a basis for solutions on how to best share the talents of the individual Reserve component member, enhance employer support and volunteerism, and strengthen member rights and family support.

### **Need For Improved Force Management and Force Rebalancing**

Managing force requirements in support of prolonged contingency operations requires a significant Reserve component contribution. Use of the Reserve components must be managed in a way that sustains their capabilities over the long run. To prevent overstressing capabilities, a process needs to be developed that tracks augmentees and individuals within units who have

been previously activated to support the GWOT. The need exists to look toward other solutions such as shifting recruiting and retention efforts to target the replenishment of stressed capabilities and innovative training technology to reclassify Reserve component members not previously activated so as to meet the skill sets for predictable requirements of future campaigns. The Services must begin now to look for approaches to sustain our Reserve forces for future requirements, such as, developing force structure that allows for a "just in time," rather than a "just in case" approach, and offering financial and other incentives that attract and retain Guard and Reserve members for stressed units. Several examples of force structure development include: construction of modular units that can be tailored to support required capabilities, and blending Active and Reserve components to support a common mission and take advantage of the inherent strengths and experience found in our Reserve components.

Within DoD, the present paradigm of the traditional 39-day Reserve component member must be changed to allow greater flexibility, and a transformation construct, such as continuum of service, to be instituted. The answer must also include a New Compact with Reserve component members, their employers and their families, which provides realistic incentives for extended participation beyond the confines of the original "Reservist" expectations for satisfactory participation of one drill weekend per month, plus two weeks during the summer. Reliance on the Reserve component is significant today and will continue into the foreseeable future; thus, it is crucial that our governing laws and regulations support this environment. The Active component suffers under the current system due to inability to efficiently and effectively fill requirements and the individual Reserve component member suffers because the laws and regulations negatively impact individual compensation, benefits, entitlements, and even career progression. Therefore, policy development or policy changes may be indicated.

The Board applauds the fact that Reserve components have developed methods to support the Active component mission with volunteers. However, the Board realizes it will take DoD support and Congressional action to develop the statutes, and regulations to fully support this transformation once policy is set. DoD and the Services are moving forward rapidly to identify and execute force structure changes, to actively participate in mobilization process reform, and to develop policy and legislative changes necessary to support innovative management practices for more effective and efficient utilization of the Reserve components. For example, with transformation there is some discussion of civilianizing the Military Judge Advocate General's Corps that could raise possible policy issues. The Board is interested in assisting with the development of policy as it relates to civilianization and/or privatization of military positions that impact the Reserve components.

The Services have successfully implemented measures to improve the force mix and early reliance on involuntary mobilizations. For example, between fiscal year 2005 and 2009 the Army will rebalance over 100,000 spaces of force structure in order to improve force readiness and ease the stress on the Guard and Reserve. The Air Force is organized and funded for the integration of Reserve components into every aspect of the Air Force mission. Their Air and Space Expeditionary Force construct allows for maximum use of volunteers, thus, minimizing the need for involuntary mobilization within the first 15 days of a rapidly developing contingency. The Naval Reserve contains a significant portion of the Navy Airlift capability and Maritime Patrol capability, yet they are fully integrated to the point of seamless operations. Beginning in fiscal year 2002, the Coast Guard began commissioning the first of thirteen Maritime Safety and Security Teams for domestic security operations, reducing the need for Reserve-staffed Port Security Units to respond to local contingencies. Port Security Units are

designed to support the Combatant Commanders overseas in strategic ports of debarkation. Every Service has already made structural changes in the Active components and/or Reserve components that reduce stresses on critical skills and enhances capabilities. Many of these changes began before September 11, 2001, though now the need to continue is fully recognized. In some cases changes in reserve management policies are being implemented to improve volunteerism. The Board concurs with the current direction and measures to rebalance the force and develop innovative management practices.

### **FAIRNESS AND EQUITY CONCERNS**

The Reserve Forces Policy Board (RFPB) continues to hear recurring themes of differing equity and compensation issues between the Active components and Reserve components. These comments are voiced most often as the RFPB visits the Combatant Commanders and deployed Reserve component forces supporting the Global War on Terrorism. Equity in pay and benefits remains a concern for many Reserve component members and for the members of the RFPB. Identifying the inequities and proposing policy solutions through DoD will continue to be a priority for the RFPB. As these issues are examined we must be aware of both the statutory and budget implications associated with the recommended changes.

Regardless of which component a service member belongs to—Active, Guard, or Reserve, the pay and benefits for performing the same duty in the same location should be the same. To the RFPB this means the entire compensation package, not limited to just basic pay; but including incentives, bonuses, special pays, and such benefits as Basic Allowance for Housing (BAH), medical and dental care, per diem, and family support programs. Recognizing the importance of these issues to the future of our Total Force, Congress and DoD have rightly focused their attention and efforts to address and correct many of the problems and concerns of



our Reserve component members. Most notable of these efforts are improved health care benefits, full commissary privileges, hostile fire and imminent danger pay and new tax breaks.

A recurring issue voiced to RFPB members has been the inconsistency in the method used by the different Services to interpret and subsequently pay travel claims. All the Active components and Reserve components are compensated using the Joint Travel Regulations (JTR) to compute eligibility and amounts of payments for travel related expenses. But, the issue arises from the interpretation of the JTR, which seems to be different from one component to another. The Board sees this difference among the components as a significant morale issue. It is impossible to answer Reserve component members who ask why their per diem payment or travel allowance differs from members assigned to a different component, especially when the members are stationed in the same location doing the same duty. The increasing use of our Reserve component members, particularly in a deployed status, has raised the intensity level and visibility on this issue. On the surface this appears to be an administrative issue that could be easily fixed. However, when the RFPB has dug deeper into specifics, we always came away with the same response: This is a legal interpretation of the JTR. The Board does not view this as a systemic problem with the JTR, but rather a problem with the different interpretations applied to these regulations by the Services. The Board unanimously supports any effort aimed at simplifying and clarifying travel and per diem entitlements to provide uniformity of interpretation and equal payment to all our members. Our Reserve component members are daily carrying out hazardous missions and deserve fair equal treatment under the regulations.

As identified in the RFPB's Fiscal Year 2002 Annual Report, income protection upon mobilization is an important issue for many Reserve component members. Many of these members can earn more in their civilian jobs than they earn when mobilized for active duty.

This loss of income can cause many problems for the member and their families. A previous attempt to remedy this issue with a mobilization insurance system met with disastrous results and was quickly terminated by DoD. The current level of dependence on Reserve component forces to support military commitments at home and abroad makes the insurance solution financially unsupportable without a huge outlay of funds from DoD's already stressed budget. While there does not appear to be an easy answer to this issue, the RFPB continues to support and encourage all efforts to review the many proposals and combinations of proposed solutions to provide relief. This is a significant recruiting and retention issue that will not go away and must not be placed in the too-hard-to-do box and forgotten.

Another often heard comment has been one of inequitable treatment—such as in billeting, personal protective equipment, and organizational clothing. This “second class treatment” shows a level of insensitivity that must be changed to insure our Guard and Reserve members serve equally with their active duty peers.

The RFPB is concerned that a proposed merger of the Reserve Personnel appropriation with the active duty account could result in a shifting of reserve training dollars into the active duty pay account; thus, the Board believes both equity and policy concerns should be addressed before this merger of appropriations take place.

Under current law, significant inequities exists in Basic Allowance for Housing (BAH) for Reserve component members serving on periods of active duty less than 140 days, and for Reserve component members without dependents who must maintain a primary residence while serving temporary periods of active duty. While this disparate payment system results in substantial cost savings to DoD, Reserve component members serving tours of duty for less than 140 days receive significantly less housing entitlement money per day than their active duty

counterparts. While there is an exception for those members serving in support of contingency operations, the separate BAH rates still apply for non-contingency duty. The Services, Reserve components, and DoD should actively seek solutions to resolve these inequities because of our increased reliance on Reserve component members, the need for improved retention, and the need to encourage volunteerism,

The Board is concerned that, while improvements have been made to the Soldiers' and Sailors' Civil Relief Act of 1940 under the new Servicemembers Civil Relief Act of 2003, there is no current remedy for the inequities that occur when our student Reserve component members are involuntarily called to support our nation in its fight against terror. Protections need to be extended to our student Guard and Reserve members who lose tuition and placement at colleges and universities as a result of a call to active duty.

### JOINTNESS

Full integration of the Reserve components in Joint Operations is no longer an idea, but a reality of how business is being accomplished. Given our current strategic situation, National Security policy and future commitments, the future utilization of the Reserve components will most likely resemble how it is being used today – with the exception of it being more 'Jointly' orientated and tasked. With the new steady and future state of increased Reserve component involvement, training, equipping, maintaining, and educating our members to a similar level of our active duty counterparts is reality. Joint Officer Management and Joint Professional Military Education are inextricably linked. Understanding service cultures, practices, and procedures are fundamental to successfully operating in the joint environment—whether it be at a Headquarters or unit level. Servicemembers coordinating joint operations must know joint procedures, capabilities, and doctrine. Reserve component members are now serving in increased numbers

and frequency on joint staffs and in joint billets. This trend will continue as the Reserve component continues to be integrated into the Total Force. Therefore, it is intuitive, Reserve component members must receive both Joint Professional Military Education and joint duty experience to maximize the effectiveness of the Department's initiative to adhere to the Goldwater-Nichols requirement on joint force integration. Without the Reserve component member receiving the education or the opportunity to serve in joint billets, the Reserve component member will never become fully qualified as a Joint Service member; and with the continued use of the Reserve component, the Department will not be utilizing it's best augmentation resource, the Reserve component member, as efficiently and effectively as possible. All Reserve officers should receive joint duty experience and education as required by Goldwater-Nichols.

A report to the Subcommittee on Military Personnel, Committee on Armed Services, and House of Representative by the General Accounting Office (GAO) (03-238) regarding the education piece of this issue, stated the absence of a strategic plan for Joint officer development is a significant barrier to Joint Professional Military Education integration and implementation. Further studies by independent contractors concluded operational and organization changes are needed in order to implement the mandated Joint Professional Military Education program. The Board believes that DoD Instruction, 1215.20 can be a catalyst for change to address the systemic problems that are seen as barriers to the full integration of the Reserve component-Joint Officer Management program. The Board believes that the Joint Officer Management program should be appropriately supported and managed to preclude the need for a waiver to be appointed as a Reserve component Chief.



## STABILITY OPERATIONS

Recent experiences in Afghanistan and Iraq have presented an opportunity for the Reserve Forces Policy Board (RFPB) to explore and contribute to providing policy recommendations to issues related to stabilization and reconstruction operations. This certainly represents an area where creative ideas might provide solutions for the future. One idea that arose from our 2003 symposium was the concept of a Universal Command, a RC organization containing military and civilian volunteers. Other proposals include separate stability and reconstruction divisions, one Active and one Reserve, and future Brigades and Units of Action. Our Board held a stability and reconstruction conference in January and resolved that one thing is clear: We need a quick response force that reflects modularity and flexibility.

Stabilization and reconstruction operations are sometimes referred to as the post-conflict phase of operations, although as we have seen in Iraq, the line between the conflict and stabilization phases is very gray. Reserve component units such as Civil Affairs, Psychological Operations, Military Police and Engineers already play a key role in these operations. The RFPB is very interested in stabilization and reconstruction operations and plans in 2004 to actively focus on the development of policy, organizational structure implications, and its impact on Reserve component units and members, to include the use of civilian volunteers. Given the strong emphasis placed on force rebalancing and transformation, the RFPB has a role to play in reviewing current proposals for reform in the context of DoD policy and its recommendation. The Board will coordinate with various DoD and other Federal Agencies including National Defense University (NDU), the Office of Force Transformation (OFT), Assistant Secretary of Defense for Special Operations Low Intensity Conflict (ASD/SOLIC), Assistant Secretary of Defense for Reserve Affairs (ASD/RA), and the Army War College Peacekeeping and Stability

Operations Institute (PKSOI), leading scholars, and "think tanks" that have ongoing work in this area.

The demands of warfighting in the 21<sup>st</sup> century and stabilization operations demand new thinking and approaches for how the Reserve components can best contribute to this effort. The RFPB is assisting other organizations and doing independent research concerning the viability of expanded use of Auxiliaries and recalled retirees; utilizing authority that exists for creating a Temporary Reserve; expanding use of State Defense Forces; and, examining other mechanisms that will meet the needs of the military and contribute to a new paradigm of what Reserve service can mean. The objective will be to develop policy for utilization of some or all of these mechanisms.

### CONCLUSION

Our Guard and Reserve personnel serve in a force that is the single most technologically advanced in the world and we are continually asking them to do more. If we continue to utilize Reservists at the pace we are today, we must develop the best possible compensation and incentive package, and sensitize our leadership to ensure fair and equitable treatment. Though our Guard and Reserve members are true citizen patriots and fully understand their responsibilities and service, we are concerned that the stress on their families and employers along with existing fairness and equity issues may have a negative impact on retention in the coming months. In these turbulent and, indeed, watershed times, it is essential that the Reserve Forces Policy Board continue to be a viable, independent source of policy advice to the Secretary of Defense and at the same time meet its role of keeping the President and Congress informed with our annual report. Thank you for this opportunity to testify on behalf of the extraordinary Guard and Reserve men and women who serve our Nation.

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## Honorable Albert C. Zapanta Chairman, Reserve Forces Policy Board

Secretary of Defense Donald H. Rumsfeld appointed Al Zapanta as Chairman of the Reserve Forces Policy Board (RFPB) on March 21, 2002.

The Reserve Forces Policy Board was established by Congressional statute in 1952, and acts as the principal, independent policy advisor to the Secretary of Defense on all matters involving the Reserve components of the United States Armed Forces, including the Army National Guard, Army Reserve, Naval Reserve, Marine Corps Reserve, Air National Guard, Air Force Reserve, and Coast Guard Reserve. The twenty-four member Board is composed of Assistant Secretaries of the three military departments for Reserve Affairs; Active, Guard and Reserve flag and general officers representing the Joint Staff, each of the Services, and their Guard and Reserve components.



Mr. Zapanta is the president and CEO of the United States-Mexico Chamber of Commerce based in Washington, DC. The United States-Mexico Chamber of Commerce is a non-profit, bi-national corporation that promotes trade and investment between the two North American nations. The Chamber represents more than 2,000 businesses in the U.S. and Mexico and maintains 14 regional offices in the U.S. and six in Mexico. He is also Chairman of the Board of the U.S. - Mexico Cultural and Educational Foundation. Mr. Zapanta has worked in business, government and politics for over thirty-six years. In the private sector, he worked as an industrial engineer for Bethlehem Steel, and as Director of Governmental Affairs for ARCO until his retirement in 1993. His Governmental and political experience includes appointments to various government commissions and advisory committees by Presidents Richard Nixon, Gerald Ford, Ronald Reagan, and both Presidents Bush.

Mr. Zapanta served President Nixon as a White House Fellow in 1973-74. He was appointed by President Ford to serve as Assistant Secretary of Administration and Management, U.S. Department of Interior 1976- 77. President Reagan appointed him to the U.S. State Department Advisory Committee on International Trade Technology and Development, and President George W. Bush named him a private sector delegate to the U.S. - Mexico Partnership for Prosperity.

Mr. Zapanta earned a Bachelor of Arts in 1966, a Master of Public Administration in 1973, and completed his doctoral studies in International Political Economy from the University of Southern California. He also graduated from the Harvard Graduate School of Business and the Inter-American Defense College at National Defense University.

Mr. Zapanta began his military career by enlisting in the U.S. Army in 1964, reaching the rank of Sergeant in the 12<sup>th</sup> Special Forces Group. Commissioned through the California Army National Guard Officer Candidate School program in 1966 as an infantry officer, Mr. Zapanta's military service includes duty as a Special Forces Officer 1966-'72, Platoon Leader and Company Commander, 75<sup>th</sup> Infantry Ranger (Airborne), 9<sup>th</sup> Infantry Division, with duty in the Republic of Vietnam in 1969. From 1972-'78, Mr. Zapanta served in the 63<sup>rd</sup> and 97<sup>th</sup> ARCOM, USAR. In 1978-'87, he served in the 40<sup>th</sup> Infantry Division (M), California Army National Guard as the Battalion Commander, 3/160<sup>th</sup> Infantry Battalion, 40<sup>th</sup> Infantry Division. Returning to the USAR (1987-'94) as an Individual Mobilization Augmentee in OASD/RA and SO-LIC in the Pentagon, Mr. Zapanta also served as a commander of the U.S. Peacekeeping Observer Element, United Nations Mission for the Referendum in the Western Sahara. He served in the Washington D.C. National Guard as Special Assistant to the Chief of the National Guard (1994-'96). Mr. Zapanta also was appointed by the Governor of the Commonwealth of Virginia to the rank of Major General in the Virginia state militia.

Mr. Zapanta's combat actions resulted in the award of the Silver Star, five Bronze Stars for valor, the Purple Heart and thirty other awards during the Vietnam War.



**STATEMENT  
OF THE  
ADJUTANT GENERAL OF FLORIDA  
MAJOR GENERAL DOUGLAS BURNETT  
BEFORE THE  
HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE**

**MARCH 31, 2004**

*FOR OFFICIAL USE ONLY  
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**Florida National Guard  
Department of Military Affairs  
Office of the Adjutant General, P.O. Box 1008  
St. Augustine, Florida 32085-1008**

**Major General Douglas Burnett  
The Adjutant General of Florida**

Major General Douglas Burnett was appointed the Adjutant General of Florida by Governor Bush on November 3, 2001. As the Adjutant General, he is the Governor's senior military advisor and oversees both the state and federal missions of the Florida National Guard. He supervises the administration, training, and operations of the Florida National Guard, which is composed of more than 13,000 Army and Air National Guard personnel with a full-time workforce of over 2,000 employees.



General Burnett began his military career by enlisting in the Florida Air National Guard shortly after graduation from high school. After basic training at Lackland Air Force Base, Texas, in 1963, he attended the USAF Electronics School at Keesler Air Force Base, Mississippi. He received a direct commission in February 1969 and attended Undergraduate Pilot Training at Randolph Air Force Base, Texas. After earning his wings in June 1970, General Burnett attended the F-102 Combat Crew Training School at Ellington Air Force Base, Texas. After completion of F-102 training, he was assigned as a full-time Alert Pilot in the NORAD mission in the 125<sup>th</sup> Fighter Group. He was dual qualified in both military fighter and transport aircraft in addition to flying commercially with Pan American World Airways and United Airlines until 1996. General Burnett has held several positions at the 125<sup>th</sup> Fighter Wing and at State Headquarters over the last decade, to include Group Air Operations Officer, Director of Operations, Chief of Staff, Commander, and Assistant Adjutant General for Air.

General Burnett has completed the Command and General Staff College and the Air War College. His awards and decorations include the Legion of Merit, Meritorious Service Medal with one oak leaf cluster, Air Force Commendation Medal, Air Force Achievement Medal, Combat Readiness Medal with two oak leaf clusters, the Florida Cross, the Florida Distinguished Service Medal, and the Florida Commendation Medal.

General Burnett currently serves on the Chief, National Guard Bureau's Counterdrug Advisory Board. He is also actively involved with the National Guard Association of the United States, having served two terms on the Executive Council and was elected President of the National Guard Officers Association of Florida in August 1993.

A military command pilot and a commercial airline pilot for over 22 years, General Burnett has accumulated more than 20,000 flying hours in the F-102, F-106, C-26, C-131, C-130H, Boeing 727, and McDonnell-Douglas DC-10.

General Burnett was born in Jacksonville, Florida. He graduated from the University of Southern Mississippi with a Bachelor of Science degree in Business Administration. General Burnett and his wife Judy, have a son, Douglas Burnett and a daughter, Julie Staples and two grandchildren.

Good afternoon Mr. Chairman and members of the subcommittee. Thank you for your invitation to testify today. I know that you are deeply committed to national security and have been very supportive of the National Guard and Reserve members. On behalf of the soldiers, airmen, and family members of the Florida National Guard, I want to thank you for your support.

### **Florida National Guard Structure**

The Florida National Guard traces its heritage to 1565, the year the Spanish founded St. Augustine. Florida's citizen-soldiers have defended their communities and nation for nearly 440 years. The mission of the Florida National Guard is to provide highly trained unit and personnel in support of national security objectives; to protect our citizens; and, to support programs and initiatives which add value to our Nation and state. The Joint State Headquarters Florida in St. Augustine provides command and control for 10,300 Florida Army National Guard soldiers and 2,000+ Florida Air National Guard airmen.

The Florida Army National Guard's Major Commands are:

**53<sup>rd</sup> Infantry Brigade (Separate).** Tampa. The federal wartime mission of the 53<sup>rd</sup> Infantry Brigade (Separate) is to conduct combat operations as an Enhanced Readiness Brigade. Enhanced Readiness Brigades are essential Reserve Component combat structures designed to perform a variety of functions: reinforce, backfill, and/or augment Active Component formations. This brigade has three infantry battalions, a field artillery battalion, and a support battalion.

**Detachment 1, 32<sup>nd</sup> Army Air and Missile Defense Command.** Orlando. Detachment 1 will fill out the active component headquarters of the 32<sup>nd</sup> Army Air and Missile Defense Command. The detachment is a part of the first "multi-component" unit in the United States Army. Its members comprise more than 60% of the organization, and will deploy with the unit whenever it is mobilized. Detachment 1 exercises peacetime command and control for three air defense battalions and a Multiple Launch Rocket System battalion.

**83<sup>rd</sup> Troop Command.** Tallahassee. The 83<sup>rd</sup> Troop Command, State Area Command is the most diverse Major Subordinate Command in the Florida Army National Guard. This headquarters provides command and control over designated units within Florida, to include a Special Forces battalion, attack aviation battalion, two signal battalions, finance group, and finance battalion.

**50<sup>th</sup> Area Support Group.** Miami. Headquarters, 50<sup>th</sup> Area Support Group is a senior multi-functional logistical command which provides command and control of two logistical battalions and various separate companies.

**Camp Blanding Joint Training Center.** Starke. Camp Blanding is a 72,000-acre training site and serves as the primary training facility for the Florida Army National Guard. The primary mission of the Camp Blanding Joint Training Center is to prepare, receive, and support designated units for federal and state missions as well as provide administrative services, training, and logistical support to state and federal agencies, military and civilian.

The Florida Air National Guard is composed of the following commands:

**125<sup>th</sup> Fighter Wing.** Jacksonville. The 125<sup>th</sup> Fighter Wing provides air defense for the eastern seaboard of the United States from Charleston, South Carolina to the panhandle of Florida. The Wing maintains F-15 fighters on continuous 24-hour alert status at Homestead Air Reserve Station, Florida, ready to intercept, identify, escort, and if necessary, destroy unknown aircraft that penetrate the United States' sovereign air space.

**Southeast Air Defense Sector.** Tyndall Air Force Base. The Southeast Air Defense Sector provides detection and air defense for the entire southeastern United States. Protecting over 3,000 miles of coastline from North Carolina to Texas, the Southeast Air Defense Sector is one of the three continental North American Aerospace Defense Command sectors that combines the use of military and Federal Aviation Administration radar facilities.

**202<sup>nd</sup> Red Horse Squadron.** Camp Blanding Joint Training Center. The 202<sup>nd</sup> Red Horse is a highly mobile, rapidly deployable civil engineering response force that performs heavy damage repair for recovery of critical Air Force facilities and utility systems following enemy attack or natural disaster.

**290<sup>th</sup> Joint Combat Communications Support Squadron.** MacDill Air Force Base. The Squadron provides Unified Commands, services, Defense and non-Defense agencies with tactical communications systems to support the U.S. national security objectives during times of crisis, war, and natural disaster relief.

**114<sup>th</sup> Combat Communications Squadron.** Patrick Air Force Base. The 114<sup>th</sup> Combat Communications Squadron provides survivable and reliable satellite voice and data communications for command, control and logistics in support of the U.S. Air Force Air Combat Command and North Atlantic Treaty Organization communications requirements. This unit supports range operations taskings for Atlas, Delta, and Titan launches.

### **September 11<sup>th</sup>**

The Florida National Guard has a long history of providing combat and combat support forces to the U.S. Army and the U.S. Air Force. The events of September 11<sup>th</sup> dramatically increased our operations tempo and support requirements. It was a day that changed everything.

### **Initial Response To The Events Of September 11<sup>th</sup>**

Within minutes of the attack on our homeland, combat loaded, F-15 jet fighters from the Florida Air Guard's 125<sup>th</sup> Fighter Wing were flying combat air patrols over the Florida peninsula. Four days later, nearly 600 armed Guard personnel were deployed to 70 armories and facilities throughout the state to enhance our security posture.



Originally our security forces were composed of only qualified volunteers and full time personnel, but later select units were dedicated to the task of continuous guard duty. In addition to the security force protection mission, all mail from outside sources was routinely opened and inspected before being brought into Guard facilities: The menace of the growing anthrax-letter threats was on everyone's minds.

Guard members responded directly to that biological threat in early October. Twelve members of Florida's 44<sup>th</sup> Weapons of Mass Destruction Civil Support Team, based at Camp Blanding Joint Training Center, deployed to Boca Raton, Florida in support of local emergency operations as part of the federal response to the anthrax incident at the American Media building.

On September 24, 2001, while the Air Guard's fighters patrolled the skies over Florida -- a continuing mission they had assumed since September 11<sup>th</sup> -- members of the Florida Air National Guard's 290<sup>th</sup> Joint Communications Support Squadron were mobilized. For their first wartime service since Operation Desert Storm, the 290<sup>th</sup> deployed some 40 members to Afghanistan in support of Operation Enduring Freedom.

President Bush's request to activate National Guard soldiers to protect airports nationwide was honored in October when more than 480 members of the Florida Guard were deployed to airports. Under Operation Safe Skies, Guard members enhanced security in airports across the state and served as "extra eyes" at terminal checkpoints.

In October, we responded to a request by Florida Power and Light Group, Inc., for Guard support concerning two of their nuclear power facilities. Armed infantry soldiers were dispatched to Turkey Point (Miami area) and St. Lucie (Hutchinson Island) nuclear facilities. They also worked closely with local law enforcement and plant security teams to provide temporary assistance under Operation Emerald.

Throughout October members of Detachment 1, 32<sup>nd</sup> Army Air and Missile Defense Command in Orlando were activated for Enduring Freedom and served both at Fort Bliss, Texas and in Kuwait.

By early November 2001, more than 330 Guard members were assigned to Florida seaports under Operation Safe Harbor. Our objective was to provide assistance with passenger baggage screenings and cargo inspection, as well as enhance security at port perimeters and storage areas. The five designated seaports -- Port of Miami, Port Everglades in Ft. Lauderdale, Port of Tampa, Port Canaveral, and Port of Key West -- were considered "high risk" due to their significant levels of cruise ship traffic and high volumes of hazardous materials.

On December 5<sup>th</sup>, the Florida National Guard helped ensure the safety of the American space program when F-15 Eagle fighters from the 125<sup>th</sup> Fighter Wing in Jacksonville were chosen to patrol the skies over the Kennedy Space Center during the Space Shuttle Endeavour launch and other military launches at Cape Canaveral Air Force Station.

## **Deployment Of The Florida National Guard In Support Of The Global War On Terrorism**

The Florida National Guard continued to mobilize and deploy units with elements of the 3-20<sup>th</sup> Special Forces deploying to Afghanistan in February 2002. These Special Operations Forces conducted unconventional warfare, direct action, surveillance and reconnaissance, and foreign internal defense in support of the Combined Joint Special Operations Task Force-Afghanistan. While in support of the Combined Special Operations Task Force, 3-20<sup>th</sup> established forward operation bases to provide rations, fuel, water, equipment and vehicle maintenance, transportation, and aerial delivery to re-supply approximately 2,500 Special Operations Forces personnel from the United States, Germany, Great Britain, New Zealand, Denmark, Australia, Norway, and Canada conducting combat operations in Afghanistan.

The 930<sup>th</sup> Army Liaison Team deployed to Afghanistan in July 2002 to conduct liaison operations between the Commander, Combined Joint Task Force-180, the Commander of the 22-nation coalition force, the International Security Assistance Force, and the office of the U.S. Ambassador. The 930<sup>th</sup> Army Liaison Team was also responsible for the operational control of the Deployed Intelligence Support Element, a coalition forces asset, who were responsible for coordinating all intelligence operations between all intelligence assets, both military and non-military, for Kabul and its surrounding areas.

The largest single mobilization came in late December 2002 and early January 2003. The 53<sup>rd</sup> Infantry Brigade elements were alerted for mobilization on December 26<sup>th</sup> with two of its three light infantry battalions arriving at Fort Stewart, Georgia on January 5, 2003 and the third battalion arriving on January 19, 2003. In addition to infantry units, the 53<sup>rd</sup> Brigade also deployed over 50 soldiers from the 2-116<sup>th</sup> Field Artillery. At the conclusion of post mobilization training and validation in early February, the battalions began to deploy to Jordan and Kuwait in company-sized elements to provide security for Patriot Missile battery sites and the Combined Joint Special Operation Headquarters. Our soldiers were among the first conventional forces to enter Iraq in support of Special Operations Forces. During the ground campaign, elements of the brigade moved forward with the 3<sup>rd</sup> Infantry Division and 1<sup>st</sup> Marine Expeditionary Force into Baghdad, with two of the three battalions consolidating in late April and early May. The infantry battalions of the 53<sup>rd</sup> Brigade were assigned sector responsibility, conducting a broad range of combat operations consisting of security and stability operations, patrols, raids, manning checkpoints, convoy security and river boat patrols, in and around Al Ramadi and Baghdad, the Baghdad airport, the Convention Center, the Coalitions Provisional Authority Headquarters, and Logistical Staging Area Anaconda.

In the months following the ground campaign, elements of the 53<sup>rd</sup> Brigade remained in sector providing continuity of operations and force protection for a battle hand off between the 3<sup>rd</sup> Infantry Division and 1<sup>st</sup> Armor Division. Elements of the brigade continued to provide a quick reaction force in support of 1<sup>st</sup> Battalion, 5<sup>th</sup> Special Forces Group, operating out of Jordan and in and out of southern Iraq before being reassigned to the 3<sup>rd</sup> Infantry Division to conduct security and stabilization operation in and around Baghdad. Three soldiers from the 53<sup>rd</sup> Separate Infantry Brigade lost their lives in Iraq and one soldier from 3-20<sup>th</sup> Special Forces Group was killed while serving in Afghanistan.

The 202<sup>nd</sup> Red Horse Squadron deployed elements of the unit to Iraq to assist in rebuilding the Baghdad Airport runways, opening these runways to military air traffic for loading and unloading of personnel and mission support cargo. The 202<sup>nd</sup> Squadron also assisted the construction of command posts and facilities in the theater.

The 290<sup>th</sup> Joint Communications Squadron deployed on several occasions to provide support for joint communications requirements in Afghanistan, Iraq, Pakistan, Philippines, Qatar, and Turkey. The 290<sup>th</sup> Joint Communication Squadron also established a Joint Airborne Command and Control Command Post in multiple theaters.

Besides the units described above, the following formations have been activated for federal duty.

Special Operations Detachment - Central Command - Overseas  
 Company A, 161<sup>st</sup> Medical Company - Iraq  
 743<sup>rd</sup> Maintenance Company - Iraq  
 269<sup>th</sup> Engineer Company - Iraq  
 269<sup>th</sup> Engineer Detachment - Iraq  
 146<sup>th</sup> Signal Battalion - Air Force Base Force Protection  
 3<sup>rd</sup> Battalion, 265<sup>th</sup> Air Defense Battalion - Air Force Base Force Protection  
 631<sup>st</sup> Maintenance Company - Fort Stewart  
 107<sup>th</sup> Mobile Public Affairs Detachment - Washington, D.C.  
 50<sup>th</sup> Area Support Group - Kuwait  
 153<sup>rd</sup> Finance Battalion - Kuwait  
 653<sup>rd</sup> Signal Company - Iraq  
 Detachment 12, 32<sup>nd</sup> Army Air and Missile Defense Command - Washington, D.C.  
 1<sup>st</sup> Battalion, 265<sup>th</sup> Air Defense Artillery - Washington, D.C.  
 3<sup>rd</sup> Battalion, 265<sup>th</sup> Air Defense Artillery - Washington, D.C.  
 Elements of the 260<sup>th</sup> Military Intelligence Battalion - Kosovo  
 Elements of the 260<sup>th</sup> Military Intelligence Battalion - Guantanamo Bay, Cuba  
 Elements of the 253<sup>rd</sup> Military Intelligence Company - Kosovo  
 Elements of the 1-111<sup>th</sup> Aviation Battalion - Bosnia

## Service Today

There are more than 2,000 soldiers and airman from the Florida National Guard currently supporting missions throughout the U.S. and overseas. The men and women of the Florida National Guard have made - and are continuing to make - their indelible mark on history during these unprecedented deployments under Operations Enduring Freedom, Noble Eagle, and Iraqi Freedom.

In the past three years, our country has called for more than 5,600 Florida Guard members. We are fortunate our soldiers and airmen desire to serve their country. They are patriotic to the point many step forward to answer that call over and over again. Nearly 700 have voluntarily served on three-or-more deployments. We currently have 2,026 Army and 68 Air Guard members deployed overseas.

## Lessons Learned

The Florida National Guard provided combat ready units in support of Operations Iraqi Freedom, Enduring Freedom, and Noble Eagle, with units also activated for missions in Bosnia and Kosovo. Our units were prepared through readiness initiatives that ensured personnel, equipment and training met Army and Air Force standards. A commitment to readiness through the Mobilization Exercise Program, annual Soldier Readiness Processing, quarterly Readiness Councils, exercising and executing our mobilization plans as prescribed by Forces Command Mobilization and Deployment Planning System, and 1<sup>st</sup> U.S. Army guidance and command emphasis resulted in a high readiness posture. The National Guard Bureau recently visited our state to find why we were so successful in improving our readiness posture and requested our best business practices to share our success and lessons learned to help improve readiness nation wide.

The philosophy of Florida National Guard leadership is to provide operations, logistics, personnel and family support for each of our units throughout their mobilization. During the mobilization and demobilization phases, the Florida Army National Guard, in coordination with the mobilization station, remains an important advocate for our mobilizing units. Our headquarters provides direct support to the mobilization station during these phases. This support is particularly critical during the mobilization and demobilization phases, as these units have not yet been assigned to an active Army unit (mobilization) or have been released from an active Army unit (demobilization). Our organization constantly reviews this process to ensure we are providing support in all areas; the Florida National Guard is part of the Department of Defense's adaptive system that constantly seeks to improve the support to our personnel and families. Lessons learned from Florida National Guard experiences are outlined below.

**Family Readiness.** The quick call up of Florida Army National Guard units greatly affected Guard members' ability to complete necessary actions to ensure families could conduct their personal affairs during the deployment. In many cases, family finances were reduced particularly in cases where the Guard member was the primary breadwinner. The quick call up also affected employers of Guard members, especially in cases where Guard members were described as key and essential. As you can imagine, children particularly felt the quick separation from a parent. The uncertainty of active duty life and worry for the safety of their Guard member resulted in high levels of stress and frustration at various periods during the deployment. The absence of firm information concerning unit returns from overseas was also a source of great concern.

In order to mitigate these effects on families, Florida initially opened 18 Family Centers in locations around the state to provide information and referral services to military families. It became clear that our initial plan to staff the centers with the Recruiting and Retention staff would not sustain us over the length of the deployment. Therefore, when funding was provided to hire fulltime contract employees to staff the Family Centers, the number was consolidated to eight Family Centers in order to provide a fulltime Family Center Support Specialist in each of the previously established Family Readiness Areas. The establishment of the Family Centers and continued fulltime support allowed families direct access to assistance from the closest



Family Center and provided them with the tools necessary to cope with military life during peacetime and deployment.

To further reduce the stress for the families, we organized Town Hall Meetings at centralized locations statewide so I could meet with the families and address their concerns personally. Subject matter experts were also available at the meetings to answer the families' questions on a wide variety of topics. As a result of these meetings, the families had answers to most of their questions and a better understanding of military policy and mobilization doctrine. Our support for families at the Demobilization Site, in this case Fort Stewart, is a Florida Guard initiative to provide information and assistance to families waiting for their Guard member's return. The families were welcomed at the Demobilization Site Family Welcome Center by the Florida Family Readiness Team, where their questions were answered and issues addressed in a proactive manner.

**Employers.** Florida employers are our unsung heroes - from the major corporations and government agencies to the small business and self-employed. Florida's Employer Support of the Guard and Reserve Committee has been actively involved in our deployment and welcome home events. Ombudsmen are active and reach out to employers statewide to help curtail employer/employee problems.

Our employers have faced many challenges while their employees were activated - some having to accomplish production with a lesser number of employees. Considering the challenges of our employers since September 11<sup>th</sup>, they have overwhelmingly supported our soldiers and airmen and provided resources within their ability.

We do not currently know the full impact of recent activations on our employers. Our largest group of soldiers, approximately 1,500 from the 53<sup>rd</sup> Infantry and currently on military leave, will return to their employers when they are officially released from active duty. We know we will have challenges when these soldiers report back to work - but we don't know the extent of the impact.

Our troops may have to choose between their full time employment and membership in the National Guard. Employers are watching the rotation cycles now underway and may continue to be negatively impacted - causing them to re-think hiring members of the Guard and Reserve. Employers are more willing to accept shorter deployments but may not accept the longer ones we see occurring with our current rotations. More certainty in deployment schedules would enable employers to better manage their work force.

The Florida National Guard leadership is optimistic the vast majority of our employers will react positively and welcome our citizen-soldiers and airmen back to their equivalent jobs with equal pay and benefits they had prior to their active duty and that employers will consider membership in the Guard and Reserve as an asset and not liability.

**Unit Manning and Equipment.** Although the Florida Army National Guard was faced with an enormous challenge to mobilize over 2,000 soldiers on short notice, our organization met or exceeded the Army standard by deploying fully manned, equipped and ready units to their mobilization stations. Our seasoned and professional staffs performed admirably under extreme conditions/timelines and were overwhelming successful in meeting the Army's condensed mobilization timelines. We were assisted greatly by members of the 1<sup>st</sup> U.S. Army team and the Training Support Brigades. Our goal was to mobilize our units at the appropriate level of strength or better with fully mission capable equipment. We exceeded our goal but not without some difficulties.

All deployed Florida Army National Guard units were equipped with at least 90% of their authorized equipment. Additionally, all deployed equipment was full mission capable prior to the unit departing to the mobilization station. To accomplish this task, the Florida Army National Guard took equipment from units that were not deploying to fill shortages in units that were deploying. Full time maintenance support and funding was shifted away from non-deploying units to meet mobilization requirements. Cross leveling equipment from non-deploying units and shifting assets allowed the Florida Army National Guard to meet its mobilization goals but created shortages of equipment and increased maintenance requirements for non-deploying units. All units in the National Guard need to be fully equipped during peacetime to meet the Army's mobilization requirements

Deploying Florida National Guard units had some unexpected equipment shortages after units arrived at the mobilization station. It had been anticipated that equipment required for the mission, but not normally authorized, would be furnished to the unit by the mobilization station or when the unit arrived in theatre. The most severe shortages were in Ballistic Body Armor, the Up-Armored HMMWVs (High Mobility Multipurpose Wheeled Vehicle), Infrared Aiming Light and night vision devices. Soldiers should not be placed in a Combat Zone without protective gear.

Florida National Guard units met mobilization standards in personnel, training and logistics; however, there was a bill-payer. In our case, readiness levels in non-deploying units were degraded to support deploying units. Sufficient amounts of modernized or up-to-date weapons systems and equipment were not on hand to fill all requirements at the requested readiness level. Although this command has placed great emphasis on readiness and deployability, years of cascading equipment and weapons systems forced us to cross level equipment and personnel from non-deploying units to meet the comparability requirements of our active duty counterparts.

**Non-Doctrinal Force Structure.** As the Florida Army National Guard's three infantry battalions were being mobilized, we stressed the need to mobilize the 53<sup>rd</sup> Infantry Brigade headquarters to provide command and control for these battalions. Although we made a strong case for unit integrity, the Brigade headquarters was not mobilized. Deploying organic formations piece meal presented significant challenges during the mobilization phase and in theater during combat operations. In theater, battalions were deployed as platoon and company sized elements, which challenged the unit leadership to provide basic soldier care as these elements deployed without command, control, admin and logistic support normally available in the company, battalion and brigade headquarters elements. These conditions combined with the

many and frequent changes in higher headquarters assignment and attachment resulted in the most fundamental tasks became considerably more difficult, drawing the focus of the leader away from his primary mission. Operations in theater have validated the need for unit integrity in regard to the Army National Guard's enhanced brigades. Enhanced brigades now or currently being mobilized are being deployed with all elements of their organization.

**Unit Mobilization Validation.** During the initial phase of our heaviest mobilizations, there were instances of mobilization stations requiring units and individual soldiers to duplicate tasks previously accomplished during the Soldier Readiness Processing at home station. This slowed the mobilization process and wasted precious resources. Lieutenant General Inge, Commander, 1<sup>st</sup> U.S. Army, worked closely with active Army and Reserve Component leaders on this issue and provided guidance to mobilization stations regarding the mobilization process. General Inge issued guidance that only those tasks that were not completed or were not properly documented during will be executed at the mobilization station. This guidance significantly enhanced the efficiency of the mobilization process.

**Personnel Replacement Policy.** The personnel replacement policy for mobilized Florida Army National Guard units was initially not well defined. This meant the personnel strength of mobilized units was reduced each time a soldier left the unit for medical, personal, or other reasons. Analysis of this issue enabled the Army to develop and implement a comprehensive policy that has allowed Army National Guard and Army Reserve units to request replacements through the system, thus allowing these units to maintain their required end strength.

**Rear Detachments.** The number of soldiers required by mobilization orders was often less than the total strength of a unit. Thus while a portion of the unit mobilized, home station administrative, training and logistics requirements continued for the non-mobilized unit members. In addition, mobilized units needed personnel at home station to maintain liaison with their families and address issues. To address this requirement, the Army and National Guard Bureau authorized rear detachments and temporary full time support for mobilized units. This significantly enhanced the effectiveness of family readiness programs, maintained the individual readiness of non-mobilized soldiers and eased the transition of demobilizing forces.

**Medical Processing.** With the mobilization of each of the Florida Army National Guard units in late December 2002 and early January 2003, soldiers were put through a very intense Soldier Readiness Processing by the Joint State Headquarters Florida, including medical and dental screening, to ensure each soldier was medically qualified for deployment. The short notice of these deployments put a severe strain on our small number of Florida National Guard medical and dental personnel. However, our medical personnel immediately answered the call, and were quickly organized into three teams in order to perform simultaneous missions in three separate locations. Each team performed Individual Medical Readiness screenings, immunizations, dental evaluations, and finally medical board deployment determinations. As time continued on and more mobilizations occurred, it became necessary to have some of these medical services contracted out to private health care providers in order to meet the continuing demands. As a result, a number of these medical institutions provided the required services free of charge.



Now that our soldiers are returning, there may be even greater medical challenges ahead. Each returning soldier is entitled to be medically evaluated, to insure that any medical problems that developed while on active duty are documented and corrected, prior to their final release.

However, this requirement is placing a great strain on the medical capabilities and housing facilities at most of the mobilization stations. During the past year, some Florida Army National Guard soldiers were required to remain in a medical hold status for long periods of time due to the slow evaluation and treatment capabilities at the mobilization station. Therefore to help alleviate this problem, the Florida Army National Guard has accepted the challenge to provide a Community-Based Health Care Option program for National Guard and Army Reserve soldiers in Florida who will require continued long-term medical care and treatment. The Community-Based Health Care Option Florida is working this issue through 1<sup>st</sup> Army, Forces Command, and Army Medical Command for certification, and is very close to accepting the first medical hold soldiers into the program. This program will allow soldiers to be relocated back in their own home of record and receive treatment and evaluation through TRICARE, while remaining in an Active Duty Medical Extension duty status for military pay and allowances.

The Community Based Health Care Option-Florida team, made up of Florida National Guard medical professionals, will make all of the arrangements for continued treatment and evaluations until the soldiers have fully recovered and returned to regular duty or discharge through the Physical Disability Evaluation System.

**Return/Demobilization.** A more reliable system is needed to plan, coordinate and disseminate information concerning the movement of soldiers from the theater of operations to their demobilization stations. The Time Phased Force Development Data, the system in place to track the movement of these formations was inaccurate, not used, and was rarely in concert with data from SIPERNET (a classified communications system), Fort Stewart's Deployment Control Headquarters, 3<sup>rd</sup> Infantry Division Emergency Operations Center, U.S. Transportation Command, data from the airfield, or 1<sup>st</sup> U.S. Army Emergency Operations Center. We quickly learned the most reliable predictor of an aircraft's return was the report from the unit leadership with a cell phone or state provided international calling card.

Aircraft delays and changes to redeployment schedules were frustrating and difficult for the Guard families, public officials, state legislators, and congressional staff. Families traveled hundreds of miles to Fort Stewart one day in advance of the announced return of their Guard members. Unlike active Army families who generally live in the area of the mobilization station, Florida Army Guard families traveled great distances to see their soldiers return to the U.S. When the delays stretched over four-and-five days, many families were forced to give up their hotel accommodations and ran short on travel funds including food costs. We were often asked why the same priority and synchronization of the movement and return of our most critical assets, our warriors, did not receive the same level of planning and or care. Families remain a crucial influencer in almost every soldier's retention decision and the delays and changes were a sore point with our families.



Once elements arrived at their demobilization station, the Mobilization Center Operations coupled with support from the garrison staff went very well. Soldiers were expeditiously out-processed through the Central Issue Facility, Medical, Dental, and attended required demobilization briefings. On average soldiers were en route to see their Home Station within 5-7 days. Fort Stewart should be applauded for their professionalism and support of the total Army.

Since this initial experience with soldiers re-deploying to the United States, the Joint Staff, 1<sup>st</sup> Army, National Guard Bureau, and other senior headquarters have worked diligently to improve the process. The communication lines between the Florida National Guard and these headquarters have greatly improved our ability to provide families and other interested parties with current arrival data. We will continue to provide commanders and unit leaders with International Calling Cards and instructions to contact Florida Army National Guard leadership often on changes in scheduled aircraft departure and arrival times, weather delays or aircraft maintenance issues. This remains the most reliable information available concerning the movement of units. We published these changes on our web page for all families and local supporters to plan for and travel to the demobilization stations. Providing accurate information restored confidence in the Florida Army National Guard leadership and improved our commitment to care for our soldiers and their families.

**Reintegration.** Our headquarters developed and implemented a comprehensive plan to ensure our soldiers and their families were properly reintegrated and cared for during this redeployment. The reintegration of our demobilizing soldiers is crucial to retention. We publish a Reintegration Letter of Instruction for each demobilizing unit to ensure we are providing total support to these units. To ensure all aspects of this redeployment were addressed, our headquarters positioned public affairs, medical, legislative, operations, family readiness, protocol, administrative, logistics, information technology and pay personnel at Fort Stewart. These Demobilization Assistance Teams provide support to Florida Army National Guard units throughout the demobilization process. Our families are provided continual support throughout this process, including providing arrival updates to our families through our web site, e-mails and telephone. The Army National Guard has developed a Post Mobilization Survey to identify and counteract mobilization related attrition/retention factors. These surveys will provide lessons learned that will be employed to shape Post-mobilization attrition and family readiness programs.

Honoring our soldiers and their families is a crucial aspect of our reintegration plan and we have formally developed and implemented a four-phase plan. The first phase is the arrival at Hunter Army Airfield or other demobilization stations. Returning service members will be greeted plane side by senior military officials and selected guests. Guard members then move directly to Fort Stewart (or other demobilization locations) and will be greeted by family, key officials, and the press. Phase II is the arrival at local National Guard armories and facilities. We have coordinated with local communities to provide ceremonies that reflect the appreciation the citizens of Florida have for these soldiers and their families. Phase III encompasses cities, counties and family readiness groups holding celebration events such as parades, fairs, and festivals. Phase IV is entitled "Salute to Our Florida Heroes" with regional celebrations in Panama City, Orlando, Jacksonville, Tampa, and Miami. The Governor, national leaders, and senior officials will attend these celebrations. Each event in this phased operation will be designed to honor soldiers and airmen, their families, and family readiness groups.

Our focus is the welfare of our service members and their families. The manner in which we handle these redeployments will have a lasting impact on our Army.

The Freedom Salute Campaign, one of the largest Army National Guard recognition endeavors in history, is designed to publicly acknowledge Army Guard soldiers and those who supported them during the President's call to duty for Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom. Each eligible soldier will receive an encased American flag, a sequentially numbered commemorative coin, a "Defender of Freedom" certificate signed by the Director of the Army National Guard, and the Command Sergeant Major, Army National Guard, and a lapel insignia. The soldier's spouse will receive a lapel insignia while soldier's who are considered a center of influence with young people will be given a Future Soldier Footlocker Kit that includes the Daring Eagle board game, Mission Command game, Army National Guard trading cards/case and comic book. Each eligible soldier will be able to recognize one center of influence for outstanding support during the soldier's mobilization.

### Strategic Issues

Since September 11<sup>th</sup>, our National Guard has mobilized and deployed more soldiers and airmen than at any time since World War II. The timing, scale, and scope of these mobilizations and deployments required us to react in far less time than we had envisioned. As such, we revised and improved our mobilization processes as we were executing them. With the help of the Services, the National Guard Bureau, U.S. Army Forces Command, and 1<sup>st</sup> U.S. Army we were able to solve many of the mobilization and deployment-related problems we encountered. We are far more capable today than we were just a short time ago.

I would like to take this opportunity to recognize the tremendous work of General Larry Ellis and his staff at U.S. Army Forces Command, Lieutenant General Joseph Inge and his staff at 1<sup>st</sup> U.S. Army, and Lieutenant General H Steven Blum and his staff at National Guard Bureau. These leaders and their staffs worked with our organization throughout the process as we mobilized, trained, and deployed. With their help, we have already addressed most of the problems and we are working hard with the Services to overcome the remaining mobilization and deployment challenges that are within our ability to address.

As we continue to fight the Global War on Terrorism, we are also changing. I believe our challenges reside primarily in how we change, the mobilization process, personnel, equipment, and predictability.

**Transforming the Force.** The Department of Defense, the Departments of the Army and Air Force are in the process of executing a historic transformation of our defense capabilities. Clearly, we are developing a more joint and expeditionary mindset than we have had in the past. We in the Guard will continue to play major roles in homeland defense, the global war on terrorism, stability and support operations, air and missile defense, border protection, consequence management, and counterdrug operations in the future. The key to retaining these capabilities is maintaining and improving the operational readiness of these forces. To ensure the agility and responsiveness of the National Guard, our formations must be resourced at the level the Army expects these units to meet at mobilization, in most cases C-1 or C-2.

**Mobilization.** As mentioned earlier, the Department of Defense has undertaken ambitious plans to reengineer the mobilization and deployment processes. A major overhaul is required and timely; fresh ideas and new approaches are clearly warranted. I hope the Department will examine medical and dental requirements of Reserve Component service members, to include providing resources for Reserve Component personnel to use civilian health care providers to enhance medical readiness. We also need to continue our work to standardize actions at the various mobilization stations in order to smooth the process. Additionally, we should ensure Garrison Support Units, the formations that support mobilization, are activated and present at mobilization stations before our units arrive. I am confident that the mobilization reengineering efforts of the Services, National Guard Bureau, U.S. Army Forces Command, 1<sup>st</sup> U.S. Army, and the Army's Installation Management Activity will address these issues.

**Predictability.** One of the areas which requires close study and evaluation is deployment predictability for our forces. Currently, the U.S. Navy utilizes the Naval Force Presence Policy and the U.S. Air Force uses the Air Expeditionary Force model to provide predictability for their forces and families. A more predictable deployment schedule is particularly important for the Reserve Components because the vast majority of Guard members and Reservists maintain civilian jobs. If we are to count on the continued support of employers and families, we need to provide more predictability. I am happy to report our Army is considering development of a plan to identify those forces that are ready and on alert for deployment to provide a similar level of predictability for our forces. Establishing more predictability for our servicemen and women will improve retention and help us to continue to man the force with highly qualified professionals. We strongly support this Army initiative.

**Full Time Manning.** Full time manning is crucial to maintaining high readiness levels. The full time Military Technicians and Active Guard/Reserve are essential to unit readiness and the overall successful operation of Army National Guard units. They fill vital positions in areas that support a unit's administrative, payroll, supply, training, and maintenance needs. Without them, unit readiness and quality of life suffers severely. The Army National Guard is currently at 58% of full time requirements. Full time support remains the Army National Guard's number one priority and continued Congressional support for increasing full time manning will directly impact unit readiness levels.

**Personnel.** Florida is one of the few states whose deployable units are fully staffed. While maintaining near full strength minimizes the need for cross-leveling personnel, we were required to transfer personnel from units that were not scheduled to deploy. This brought the deploying unit up to strength; but, in some cases, rendered the other unit non-deployable. This is an issue we need to consider carefully. Within the Army Guard, there is a disconnect between the force structure requirements and the authorized endstrength. As long as more structure is required than personnel authorized, there will always be a requirement to cross-level personnel to build deployable units. Our Army and the National Guard Bureau are looking carefully at measures to address this issue and I am confident that we will be able to come up with an acceptable solution.



Our retention rate following demobilization is almost impossible to predict with any accuracy, as there are too many variables. I believe that the manner in which we thank our servicemen and women for their contributions and sacrifices will go a long way toward enhancing the personal feeling of pride they have about what they have accomplished.

**Training.** Army and Air Force guidance published before September 11<sup>th</sup> was on the mark. It prioritized training as the most important mission and contained the proper emphasis on readiness for mobilization and deployment. Using this guidance as basis for our training enabled us to mobilize and deploy more efficiently.

We intend to focus our future training efforts on mobilization and deployment readiness, and on General Schoomaker's guidance to make "Every Soldier a Rifleman." To accomplish this, our soldiers and units need increased training and training resources at home station. As I mentioned earlier, our units need their full time support staff to be funded to at least the required level in order to properly prepare for, conduct, and evaluate training. We also need training opportunities and school seats to alleviate the backlog in professional schooling created by the deployment of so many of our soldiers. These schools enable our soldiers to become qualified in their specialties and our young leaders to be trained in basic and advanced leadership techniques.

**Equipment.** As you know, many National Guard units have shortages of equipment. Some of these shortages are of critical equipment like radio sets, night vision devices, and chemical defense equipment. To provide the Combatant Commander with National Guard units that are fully equipped to support the mission, it has been necessary to cross-level National Guard equipment across state lines. In many cases, cross leveling limits the giving unit's ability to conduct training and maintain individual or unit proficiency.

In many instances, units returning from Operations Iraqi Freedom and Enduring Freedom are being required by the Combatant Commander to leave equipment behind for follow on units as stay behind equipment. When Active Component or U.S. Army Reserve units are provided such equipment, it is unclear how or when our units will receive replacements for the equipment they left behind in theater.

To date the Florida National Guard has given up over 1,600 pieces of equipment of thirty-two different types. This has resulted in a severe shortage of night vision devices and machine guns needed for individual and collective training to sustain perishable skills. These numbers are expected to continue to grow with additional stay behind equipment and cross-leveling requirements.

Many National Guard units have old equipment, some of which is no longer in the Active Component inventory. It is becoming increasingly difficult during peacetime to maintain this equipment, and it is almost impossible to keep it running in theater when the rest of our Army no longer maintains spare parts for this old equipment. Recent mobilizations have again demonstrated the need for Active and Reserve Component modernization processes to be concurrent.



**Conclusion**

In the past three years, our country has called for more than 5,600 Florida Guardsmen. These patriots have answered their nation's call and have performed magnificently. We are very fortunate that our soldiers and airmen desire to serve their country -- so much so that they are willing to answer that call over and over again. More than 2,300 have deployed twice since September 11<sup>th</sup>.

I believe it is important I come here today to talk about the issues that affect them. I know the committee will address many issues over the course of the next few days. It is my hope you will discuss the key issues that will ensure the readiness and commitment of our citizen-soldiers.

While there are still challenges, we have solved some problems too. While there are some long term issues still to be addressed, I am confident that with your help, the most powerful and effective military in the world will also retain a powerful and effective National Guard force.

Our citizen-soldiers continue to serve with professionalism and honor. I am proud of them and what they have accomplished these past three years.

Thank you.

Statement of  
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Executive Director  
Reserve Officers Association of the United States

For the

Personnel Subcommittee  
House Armed Services Committee  
United States Senate

FY2005 National Defense Authorization Act  
March 31, 2004



Reserve Officers Association of the United States  
*"Preserving the Nation's Defense"*

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The Reserve Officers Association of the United States (ROA) is a professional association of commissioned officers of our nation's seven uniformed services. ROA was founded in 1922 during the difficult years following the end of World War I. The founders of the ROA believed America was vulnerable to return to its pre-war unpreparedness. When chartered by Congress in 1950, the act established the objective of ROA to: "...support and promote the development and execution of a military policy for the United States that will provide adequate National Security." The mission of ROA is to advocate strong Reserve Components and national security, and to support Reserve officers in their military and civilian lives.

The Association's 75,000 members include Reserve and Guard soldiers, sailors, marines, airmen, and coastguardsmen who frequently serve on Active Duty, voluntarily or involuntarily, to meet critical needs of the uniformed services. ROA's membership includes the U.S. Public Health Service and the National Oceanic Atmospheric Administration. ROA is represented in each state with 55 departments plus departments in Latin America, the District of Columbia, Europe, the Far East, and Puerto Rico. Each department has several chapters throughout the state and is further divided into regional chapters. ROA has more than 550 chapters worldwide.

#### DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Reserve Officers Association is a private, member-supported, congressionally chartered organization. Neither ROA nor its staff receive, or have received grants, subgrants, contracts, or subcontracts from the federal government for the past three fiscal years. ROA has accepted federal money solely for Reserve recruiting advertisement in its monthly magazine. All other activities and services of the Association are accomplished free of any direct federal funding.

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## INTRODUCTION

The current citizen warrior generation is continually being asked to repair their disrupted civilian lives after demobilization and then to return to military duty on a repetitive basis. As we consider the situation in which our Reservists find themselves, we can draw somewhat from history.

Looking back approximately 60 years, we can see a partial parallel between the needs of citizen soldiers returning from WW II and similar needs of the current generation of citizen warriors returning from the Global War on Terrorism. In the late 1940s, as hundreds of thousands of our nation's warriors returned from the last world war, we, as a nation, embraced them and their families. Our national leadership passed needed legislation concerning jobs, established a military Reserve retirement program, provided VA home loans, initiated a GI Bill for education, established a veterans' preferential national hiring program, organized Reservists into units that could train for future wars, and implemented other programs to help in the transition from military duty to civilian vocation.

Thankfully, those benefits exist for the most part today, but certainly it is necessary to update policies and to take legislative actions to sustain the recruitment of the "brightest and best" citizen warriors. We must remember that preserving an "all volunteer" force requires somewhat different actions than those required to sustain yesteryear's drafted force. To summarize, a compelling need persists to fully update and bring to parity Reserve Component member incentives, employer considerations, and family protections.

A secondary theme we, as an Association and as individual tax payers, know is that Congress must make some difficult choices relative to how financial resources are used. As citizens and as ROA members, our mission includes educating members of Congress and others on the dire consequences of not spending enough to ensure the country has a well-manned and ready Reserve. In the opinion of many, history reveals that before WW I and II, the nation made some unwise choices concerning spending priorities and the need to ensure a ready military and a ready Reserve Component. ROA's Charter calls for not allowing that to happen again.

It is important to acknowledge that over the past couple of months the Department of Defense has been executing one of the largest military rotations in our nation's history. As a Total Force, relying heavily on the Reserve Component forces, our military is again mobilizing and demobilizing numerous Reserve and National Guard units and individuals. Some of the newly mobilized Guardsmen and Reservists have already been performing significant amounts of duty over recent years, but most are entering the long tour recall scenario for the first time. Many of the Reserve Component members who are returning home and demobilizing have served for one year, or in some cases, two years. During the demobilization, we must always remember that some active force and Reserve members have made the ultimate sacrifice for our country. And, those who returned with injuries have sacrificed at an extreme level. Our thoughts and prayers are with the many military member families who are experiencing severe hardship and grief.

With the above themes in mind, ROA approaches the second session of the 108th Congress with a positive attitude and with gratitude that the First Session of the 108th



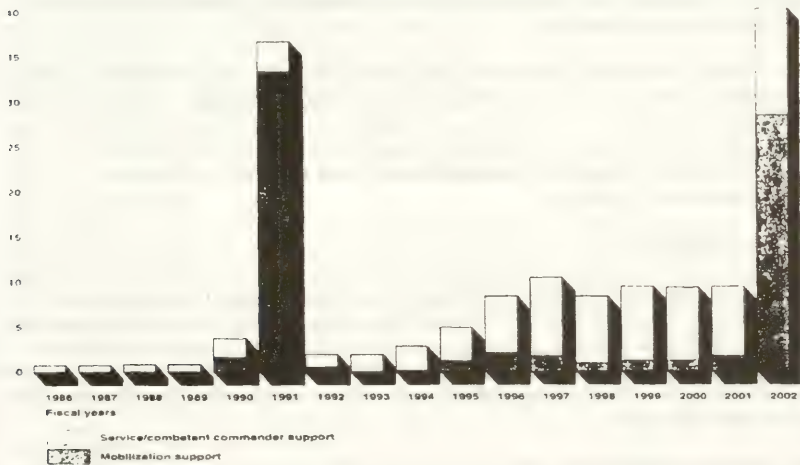
Congress certainly made progress in the arena of Reserve Component benefits, protections, and incentives. DoD is also expending significant effort and financial resources to mitigate, during the current mobilization and demobilization, many of the complex problems that characterized past recall efforts. ROA salutes our nation's legislative defense leaders for their progress.

#### EFFECT OF MOBILIZATION ON THE FORCE

When the "cold war" ended in 1986, the military found itself in a position of not having one clear-cut or overarching threat with which to define the National Military Strategy. It embarked on an aggressive effort to reduce personnel and infrastructure with the thought that the nation would not be faced with having to fight another "World War" engagement. Five years after this effort began, the country engaged in a confrontation with Iraq in 1990–1991 that resulted in mobilization of the forces for Desert Shield and Desert Storm. The Government Accounting Office (GAO) reported that since then the country has continued to increase their number of mobilizations to meet mounting contingencies from 1992 through 2001 with a spike in 2002 that mirrored 1991 when the nation again confronted Iraq.

#### Annual Number of Days Per Capita for Reserve Mobilizations and Support to the Services and Combatant Commands (Fiscal Year 1986–2002)

DAYS  
45



Source: GAO

GAO Report, GAO-03-549T, MILITARY PERSONNEL: Preliminary Observations Related to Income, Benefits, and Employer Support for Reservists during Mobilizations, March 19, 2003

While certainly impressive, the above chart only tells part of the story on the contribution of the Reserve Component. According to the Office of the Assistant Secretary of Defense for Reserve Affairs in their Review of Reserve Component Contributions to

National Defense, "Reserve Component support has increased from 1.4 million duty days in Fiscal Year (FY) 1989 to nearly 13 million duty days in FY 2001." Until the Global War on Terrorism, Reserve Component members and their families stoically accepted their call to duty regardless of whether or not it was performed in a voluntary or non-voluntary status and regardless of the number of days.

Since 2001, the Association's members have identified three main areas of stress: health care, pay, and employment.

### Health Care

The Global War on Terror is being described by the leadership in the Pentagon as multi-generational. It will be a protracted engagement, which overwhelms the resources of the Active Services. To compliment the Active Duty forces, the Guard and Reserve (G-R) have accepted the task of warrior on several fronts. Thirty seven percent of our G-R Forces have already been called to battle.

The Association believes that comprehensive care of the dependents of these young warriors allows the members of our armed services to better concentrate on their jobs.

Health care readiness is the number one problem in mobilizing Reservists. Most Reserve Component members shoulder the cost of their personal medical readiness. Because of the high cost of medical care, many G-R members do not carry health care coverage. The government's studies show that between 20-25 percent of Guardsmen and Reservists are uninsured.

With a growing percentage of Reserve Component members being recalled to multiple deployments, post-deployment health care is becoming as important as pre-deployment readiness.

### **ROA urges Congress to support health care reforms for Reserve Component members.**

### Physical Readiness

The Air Force Reserve requires a full physical examination every five years, with a modified physical exam annually. A physical fitness exam and measurement is run once a year. Body fitness is measured by tape, and physical fitness is measured against a series of exercises and a 1½-mile run. A deadline is given to Reservists who do not take the physical or fail to meet physical standards. Failure of either can place Reservists in a no pay/no drill status.

DoD does not sponsor any health care program. While, Reservists provide their own medical coverage to maintain standards, Active duty members do not pay for medical treatment, this is not parity.

### **ROA urges Congress to explore means to expand health care coverage to all RC members.**

Section 702 of the FY04 National Defense Authorization Act authorized expanded TRICARE coverage for unemployed and uninsured Reserve Component members. At

the time of publication of this testimony, the TRICARE coverage was not implemented, and the deadline for its end is December 31, 2004.

**If not made permanent, TRICARE for Reservists should be viewed, as a demonstration project, and the program deadline should be extended to properly test the program participation and cost.**

#### Inoculations

To keep RC members ready for mobilization, inoculations should be updated annually. Anthrax, smallpox, and other vaccines have a risk of side effects. Members can be impacted several days or weeks after inoculation.

**ROA wants Reserve Component members to have access to Military Treatment Facilities or compensation for civilian health care if complications occur following inoculations received on drill weekends.**

Should serious complications arise, the member should be placed on Active Duty for the duration of the treatment.

#### Physical Screening

Physical screening checkups should be done annually with blood and urine samples for conditions that could affect RC members' ability to mobilize. A more extensive physical with screening for heart, lung, or cancer problems could be given every third year. Testing costs in these areas have come down in the recent years.

**Congress should expand medical and dental screening to include all units or individuals subject to mobilization, and permit treatment by RC medical professionals that allows RC members to meet deployment standards.**

#### Physical Baseline

Between biological and chemical adversarial threats, and exposure to friendly chemicals used as insecticides or in maintenance or cleaning, service members are exposed to potent chemical cocktails that could negatively impact their health. A baseline is needed to measure changes in service members' health.

**At a minimum, a blood sample needs to be taken to help provide a baseline for chemical exposure.**

#### Prescriptions

Mobilization policy requires Reservists to bring a 90-day supply of prescriptions. Many civilian health care plans will only pay for 30-day supplies, causing the members to pay out of pocket for the additional 60-days.

**TRICARE standard should refill 90 days of existing prescriptions for mobilized Guardsmen and Reservists to provide the full 90-day requirement.**

### Dental Readiness Transition

When deployed overseas, dental hygiene and dental diagnostic and preventative care is difficult to maintain. To offset this, DoD policy has been to provide examination screenings and repairs for deployed military members returning them to a classification T-2 dental status. If post-deployment RC members are not provided with these exams, corrective coverage is only allowed at a Military Treatment Facility for 30 days in a space available status after deactivation. The RC members have a lower priority than Active Duty family members, who historically have difficulty getting dental treatment.

This policy is inadequate. As stated earlier, TRICARE Dental is inadequate to cover restorative repair costs from a T-3 classification to a T-2 status. This forces the RC members to pay out-of-pocket expenses to become mobilization ready.

**ROA feels that it is incumbent upon DoD to return post-deployment RC members to a classification T-2 dental readiness status. If Medical Treatment Facilities (MTF) access is not available, then DoD should subsidize TRICARE Dental coverage for 180 days to permit repairs.**

### Continuity of Medical Coverage

As this conflict is expected to be long term, and Reserve Component members are expected to be mobilized multiple times, the importance of continuity of health care becomes increasingly important and should be emphasized, as it will impact Reserve Component members and their families. If soldiers are worrying about their families while in the field, the costs to the U.S. Military will be more than just health care coverage. Timely access to health care during this national crisis for family members of activated Reservists and members of the National Guard is a must.

**Authorize access to TRICARE on a cost-share basis, or premium cost-share for civilian health plans upon activation.**

Option 1: Expanded TRICARE Access. Drilling RC members would pay an annual cost-share premium for TRICARE coverage. With activation of 30 or more days, and the government would assume all of the costs as it would for Active Duty members. Coverage could be for RC members alone or, with a higher premium, family coverage.

The TRICARE access option is consistent with the DoD's "seamless, integrated total force policy," as it would open TRICARE to RC families and eliminates a "structural barrier" inhibiting true integration of the total force. TRICARE access also would support transitional health care coverage before and after extended activation and is likely to have a positive impact on service member and family medical readiness and retention.

Including Guardsmen and Reservists in TRICARE will have a return in recruiting and retention numbers. ROA believe families would better support a career in the Reserve Component. If health care were provided as a benefit spouses would make Reservists think twice before quitting the Guard or Reserve and losing this benefit.

Costs: a recent GAO report (GAO-02-829, Defense Health Care, September 2002, hereafter, GAO Rpt.) estimated that DoD's cost would be \$7 billion over 5 years if



Reservists paid a premium similar to that paid by Active Duty retirees under age 65 (TRICARE Prime).

Option Two: Payment of Premiums for Employer or Personal Health Insurance. RC family members are eligible for TRICARE if the members' orders to Active Duty are for more than 30 days; but some families would prefer to preserve the continuity of their own health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting. Many RC families live in locations where it is difficult or impossible to find providers who will accept new TRICARE patients.

Following activation, DoD could contribute a premium payment that is not to exceed its TRICARE contribution. Payments could be made through direct deposit to employers or employers' health care insurers. The RC members' families would be able to continue with the employer health insurance without disruption, and the administering by DoD would be simply to cut a check.

## Pay

Every member in the Reserve Component is affected by the change in pay that results from a mobilization. Much of the force is affected equally or positively by a change in salary. In fact, the number of the force in this category has increased since Desert Shield and Desert Storm due to Congressional across-the-board pay increases and targeted pay increases. Eliminating remaining pay differences between Active Duty and Reserve Component pay rates would eliminate inequities and further help to offset the pay loss experienced by some RC members. Those arguing against the need for this inequity overlook the fact that every time a mobilization occurs RC members incur collateral monetary impacts to their civilian jobs by losing promotion opportunities, professional competitiveness with their peers, or the opportunity to continue contributing to their employer retirement account or by receiving matching funds.

## Pay Differential

While there once existed a clear and distinct line between Active and Reserve forces, as the two components merge into a continuum of forces, the argument for greater parity of benefits becomes increasingly compelling. The following areas of pay still are governed without parity between the Active and Reserve Components:

▪ Aviation Career Incentive Pay	▪ Hazardous Duty Incentive Pay
▪ Career Enlisted Flyers Incentive Pay	▪ Special Duty Assignment Pay
▪ Foreign Language Proficiency Pay	▪ Diving Special Duty Pay

***ROA urges Congress to delete the 1/30th rule for those areas of pay that require Reserve Component members to maintain the same qualification levels as Active Duty.***

### Base Allowance for Housing (BAH)

Currently, Reservists (without dependents) who serve on active duty in support of a contingency are authorized to receive BAH for their primary civilian residence, even at times in which they occupy government quarters at their 'gaining command.' By providing this authority to receive BAH under circumstances where normally no such entitlement would exist, the current statute recognizes that this category of Reservists, unlike their Active Duty counterparts, is likely to be called to Active Duty on short notice, and will be expected to return to their primary civilian residences upon release from an active duty period of relatively short duration (i.e., two years or less). Thus, the intent of the statute is to ensure that Reservists are able to maintain their civilian residences 'back home' while performing military service in another location.

However, the current statute does not go far enough as it does not adequately address the circumstance that government quarters at the 'gaining command' might not be available for these activated Reservists. Under such circumstances, the Reservists' only option many times is to obtain housing "on the local economy" at their own expense. In essence, they have to maintain two households on only one housing allowance. The law does provide recourse for members with dependents (i.e., a Family Separation allowance for Housing, or FSH), and the circumstance does not apply to Active Duty members without dependents, as there is no expectation to "send them home" after the contingency has ended. The law provides no recourse for Reservists without dependents.

To avoid causing an undue financial hardship on individual Reservists, during the recent Operation Noble Eagle mobilization, the Services took the extraordinary step of paying them *per diem* (which is primarily meant to reimburse members for the cost of **temporary** lodging) whenever government quarters were not available—in some cases for more than a year. For the Navy in particular, this was a tremendously costly measure, which could not be sustained on a long-term basis. This initiative to authorize a second housing allowance under this circumstance would serve to: 1) ensure Reserve Component members are adequately compensated for their housing costs at both the location of their civilian residence and their 'gaining command'; and 2) ensure that doing so over the long term is accomplished without overburdening scarce tax payer resources.

This initiative represents a long-term, sustainable solution to ensure Reservists are adequately and fairly compensated when required to abruptly abandon their comfortable civilian lives and answer their country's call to continue to fight the Global War on Terrorism.

**ROA urges Congress to amend section 403 of title 37, United States Code, to authorize a second housing allowance for Reserve Component members without dependents, who are called or ordered to Active Duty in support of a contingency operation (for greater than 139 days) when government provided housing is not available.**

### **Employment**

Reserve Component members have been reporting many employment problems, and it is anticipated that this will only increase as troops return from Iraq and are demobilized. For many returning Reservists, reinstatement of job means they now have to move

outside of the state, the job being offered pays the same but is significantly reduced in responsibility and stature, or new personnel policies make it difficult for service members to retain affiliation with the Reserves. It is important that we provide protections under the law, but we must also provide incentives for employers to want to hire RC members. While not listed here, it is important to understand that providing things like TRICARE to Reservists can also act as an incentive for employers.

### USERRA

USERRA offers employment protections to all RC members except those employed by states. While Congress normally prefers to not offer directive legislation to the state level, in this particular instance the exclusion of state employees from USERRA becomes a discrimination issue.

Another group of citizens excluded from USERRA, but no less affected by mobilizations, is the military spouse. ROA members have reported that their spouses in many instances had to leave their employment for 30-90 days to complete the arrangements necessary to go from a two-adult household to a one-adult household or had to take leave for the duration of the mobilization because they had to move closer to other family members for help with childcare, health care needs, or finances.

**ROA urges Congress to extend USERRA employment protections to state employees and military spouses.**

### Authorize Tax Credits for Employers of Reservists

Reservists' employers often shoulder the burden of extra costs to support national defense through the participation of their employees in the military. Support by employers of members in the Reserve Component enables the Total Force concept to succeed. Today's increased operations tempo (OPTEMPO) makes employer support more important than ever. Employer pressure is listed as one of the top reasons for Reservists to quit the military.

**ROA urges Congress to support employer tax credits as a way to help offset costs associated with employees' Reserve activities and reinforce employer support.**

### **RESERVE COMPONENT FORCE MIX CHANGES**

Certainly adjustments will be made over the next few years and beyond relative to missions and force balance. Despite pronouncements about changes in force balance and about "transformation," ROA believes that changes in the U.S. military should be cautious and incremental, certainly not as dramatic as some might envision. The reason for this is that the elements of the Total Force that exist today were created incrementally and were based primarily on fundamental realities concerning: needed capabilities, human skill pools, available technology, and affordability.

With the exception of technology, these realities do not change to any significant degree in the foreseeable future. Although advances in technology will rapidly improve our



weapons and our training, better technology will not replace the need for "boots on the ground" in conducting military operations over the next 10–15 years. Those future near-term operations could look much like what is seen in Afghanistan and in Iraq today, fighting an asymmetrical threat using technology in an unconventional manner.

Those operations have very large numbers of U.S. troops involved either directly or indirectly—soldiers in or near the geographic area of conflict, those in the pipeline to go into those areas, and those being regenerated after returning. Simultaneously, a requirement still persists for significantly large numbers of troops to hedge against other serious and more traditional armed conflicts, such as those that could occur in the Pacific arena. The often-ignored need for a strategic reserve also exists. And finally, the requirement for adequate homeland security trained forces is more important than ever.

The capabilities that the military services need to meet the growing threat include, from strictly a military view, a combination of good people (warriors and leaders of warriors) and the right equipment (technologically modernized). In that context, despite the changes in the nature of our enemies, the means to defeat emerging threats are only slightly and incrementally different than the means we have used over the last 10–20 years. This recent period is also the time in which the modern Total Force was built. Today we have embedded in the Reserve-Components a broad set of skills that our military needs. Those same skills and the resulting capabilities will continue to be critical in augmenting the Active Component force to meet tomorrow's threat.

Reservists also bring to the military "tool kit" several civilian sector skills. Those skills run the gamut from airline pilots to surgeons and from civil affairs specialists to nuclear engineers (to name just a few). The country cannot afford to duplicate on a grand scale the Reserve-Component human resource pool to implement a policy that would keep Reservists out of the early deployment mission phase. The Office of the Secretary of Defense (OSD) initiative to not mobilize Reservists for the early deployment (first 15 days) phase of operations is flawed. The importance of the doctrine referred to as the "Abrams Doctrine" (connectivity between the American people and military action) and the low cost of keeping a Reserve force justify maintaining the current practice of using the RC in all aspects of our military as a surge capability to a maintaining force.

Knowledge of how Reservists transport civilian sector technical skills when they assume their military duties is more important than it was in the 1970s. The reason is partly because over the past 30 years the technology originating from private sector requirements has begun to dictate military equipment make-up. Before that time, before routine launches into space and the computer technology explosion, the military generated a need and then industry created new technology to meet that requirement. Now, quite often when the military has a new or evolving mission to perform, "off-the-shelf" equipment and technology can meet or be adapted to meet that requirement. Reservists will continue to be in the middle of that transfer and practical application of civilian sector originated technology.

The mission mix assigned to the Reserve forces will also continue to reflect skills Reservists learned as previous military members. Because it makes good business sense, over the next several years we, hopefully, will continue to seek our return on investment by providing military billets for Reservists who were trained and matured as



members of the Active Component and then separated to become civilians. That brings us to the affordability argument.

Affordability is an argument for proper force balance that speaks for itself. ROA does not believe this nation can afford, with finite and stretched resources, to successfully meet the threat by dramatically shifting the mix from the Reserve Component to the Active Component. Conversely, neither should we try to shift large amounts of structure from the Active Component to the Reserve Component. As most know, in some mission areas the RC is close to reaching their limit on repetitive use of Reservists, but that can be resolved in many instances without resorting to an expensive radical change.

### **Transformation and Rebalancing**

Changes to the Reserve Component are being presented piece-meal, which makes it difficult to properly assess or determine the actual impact to national defense. ROA will continue to support better fidelity and rigorous analyses of transformation initiatives and rebalancing planning.

**ROA urges Congress to establish a commission to review the impact of Active Duty changes and how they will affect the Reserve Component.**

### **ROA's Fundamental Beliefs**

The Reserve Officers Association has strong and clear beliefs concerning military capability and specifically the value of strong Reserve forces. These beliefs are based on ROA's "Declaration of Principles." The following bullets describe ROA's recommended priorities for our entrusted national leaders.

- The nation must have adequate military force structure, training, and equipment to defeat any known or emerging military force that could be used against the nation.
- Military members (Active and Reserve) should be representative of some of the best men and women our nation has to offer, and, therefore, incentive programs to encourage our most capable young people to join the armed forces should receive funding priority.
- The families of military members (to include all in the selected Reserve) should have readily available health care and other appropriate entitlements and should receive adequate and fair compensation as survivors.
- The use of America's Reserve and National Guard during all phases of military operations is a fundamental enabler to properly gaining and sustaining the support of our citizens. It should be noted that this principle, known by many as the Abrams Doctrine, has become more important since the elimination of the draft and in time of prolonged conflict.
- Reservists, by nature of being part time and only called to military duty when needed, bring many cost efficiencies to the total military budget.

- Civilian skills and experience levels (civilian and military) found in many Reservists are proven force capability multipliers.
- Within Service cultures, because of the unique characteristics and paradigms resident in Active Duty members relative to the unique characteristics and paradigms resident in Reservists, the best managers of Reservists will always be other Reservists.
- Reserve Component forces must be recruited, trained, and equipped as an integrated part of the Total Force and should be used to the maximum extent practical across the full spectrum of military missions. Said another way, core mission areas of each service should, where practical, include RC member presence, and Reservists should not be relegated automatically or arbitrarily to support mission areas.

#### **MOBILIZATION AUTHORITIES AND PROCESSES**

The DoD and GAO have completed several studies and performed many types of analysis to identify ways that mobilization authorities and processes can be improved. ROA members have helped to identify other areas that have manifested themselves during this extended mobilization for improvement. The recommended changes address retention and recruiting incentives and continuum of service issues.

#### Excluding Certain Reservists from Being Counted against Active Duty End Strengths

Title 10, United States Code, requires that Reservists exceeding 180 days of active duty during a fiscal year be counted against congressionally mandated Active Duty end strengths. This is an artificial barrier that prevents valid requirements from being met in the most effective manner. Congressional oversight and accountability could still be afforded by the use of a coding technique.

**ROA urges Congress to amend Title 10, United States Code, to exclude Reservists who exceed 180 days' active duty, in support of the Active forces in operational and support missions, from being counted against that Reserve Component's Active Duty end strength.**

#### Montgomery GI for Selected Reserves (MGIB-SR) Enhancements

- Begin the eligibility period when military members elect to use the program upon their first application to use the education benefit.
- Reduce the obligation period from six years in the Selected Reserve to four years in the Selected Reserve and four years in the Individual Ready Reserve. This change will ensure all service members have the opportunity to qualify for the education benefit. This compares to the Active Duty's program of requiring three years of service obligation.
- Stipulate that Reserve Component members can use their education benefits when mobilized.
- Require college refund provisions for Reserve Component members who lose tuition expenses when they cannot complete the semester or school term due to recall.

- Adjust interest rates on federal student loans when the market rate drops below six percent.

**ROA urges Congress to support Selected Reserve education reforms for Reserve Component members.**

U.S. Public Health Service (USPHS) Reserve Force

The USPHS plans to create short-term duty missions and "rolling deployments" to address presidential and secretarial initiatives toward serving critical health care needs. Active Duty and Individual Ready Reserve (IRR) officers will be called to address these needs. These short-term duty missions will provide a requirement for a modernized Reserve Component system that can marshal resources for deployment at the local level for needed public health initiatives.

**ROA urges Congress to establish a viable Public Health Service Reserve Component.**

**ARMY RESERVE**

Most of the critical issues affecting the Army Reserve and Army National Guard are in personnel. Even issues pertaining to equipment tend to have a direct and significant effect to the personnel postures of our Army Reserve Component, which includes the National Guard and Army Reserve. The first area that I will address is "Rebalancing."

Rebalancing

The Reserve Officers Association concurs with the need to rebalance the Active and Reserve forces as directed by the Secretary of Defense.

- The Army Reserve and Army Guard have been proactive and already have plans in place to reduce unneeded force structure and improve the personnel readiness of their congressionally mandated end strengths and to focus on those missions that provide the best mix to the Total Force.
- It has been mentioned that stress is particularly evident in the Army Reserve Civil Affairs and Military Police missions. As you may be aware, the Army Guard has been transitioning certain heavy field artillery units into military police to relieve the stress on this critical function. Civil Affairs is a function that primarily resides in the Army Reserve. Some leaders in DoD have suggested that more of this function should be transitioned into the Active Component. The Reserve Officers Association believes that this function most properly resides in the Reserve Component since many of the required skills are found in the civilian community and are the day-to-day jobs of many of our Army Reservists (e.g., city managers, public accountants, attorneys, medical personnel, civil works, etc.).

**The Reserve Officers Association believes that rather than reducing the number of Civil Affairs organizations in the Reserve Component, DoD should expand them in the rebalancing process.**

- A shortfall of almost \$300 million existed for the Army Reserve in critical training dollars in the FY 2005 budget. These funds are required for troops returning from deployments and for soldiers yet to deploy to train in new skills and with new equipment. The Army Reserve and Guard are restructuring to be in step with the Departments of the Army and Defense in their rebalancing efforts. The lack of adequate training funds will hamper the transformation efforts that the Reserve and Guard have undertaken to improve readiness.

### Recruiting and Retention

Some key issues in retention were addressed in the recent NDAA and Iraqi Supplemental. However, work still needs to be done to help ensure that the Army Reserve and Guard will be able to attract and retain the same high quality soldiers as it has in the past.

- TRICARE for the Selected Reserve and certain members of the Individual Ready Reserve must be expanded and made permanent. Reserve soldiers are only provided with a physical exam at government treatment facility once every five years. They receive no government-provided dental exams. This is reflected at the mobilization sites where most of the deployment problems are in dental and medical areas.

**The Reserve Officers Association believes that if Reserve soldiers are required to meet the same medical and dental standards as the Active Component, they should be provided with the same evaluation process.**

- Reserve Component soldiers should also receive special incentive and skill pay based on the requirement to maintain their special skills 365 days a year and not just 2 days a month.

**The Reserve Officers Association recommends equity in special skill and incentive pay between the Reserve and Active Components.**

- When offering an incentive for Reserve soldiers to reenlist, they should be provided with an incentive that reflects the same standard as their Active Component counterparts. Recently it was announced that Active Component soldiers were being offered bonuses from \$5,000 to \$10,000 for reenlistments from three to six years. Under current law, Reserve Component soldiers are only entitled to \$2,500 to \$5,000 bonuses.

**The Reserve Officers Association recommends equity in reenlistment bonuses between the Reserve and Active Components.**

- Age 55 Retirement is being addressed by many members of the House and the Senate. The Reserve Officers Association supports this concept as a key retention tool.
- The Montgomery GI Bill (MGIB) has been one of the most significant incentives for recruiting outstanding young people into the Guard and Reserve. Based on their service in the Global War of Terrorism at home and abroad, today's military



Reservists deserve enhancements to their eligibility under the MGIB for Selected Reserves. Those enhancement include:

- Beginning eligibility when service members elect to use the program for the first time.
- Reducing the obligation period from six years in the Selected Reserve (SELRES) to four years and for four years in the IRR. This is comparable to the Active Component program requiring a three-year obligation.
- Stipulating that Reserve Component members can use their education benefits while mobilized.
- Requiring tuition fee refund provisions for Reserve Component members whose expenses cannot complete the semester or school term due to recall to Active Duty.
- Adjusting interest rates on federal student loans when the market rate drops below six percent.

In the Rebalancing and Transformation process, equipment issues are a great concern. Although this would seem to fall into operations and maintenance or procurement, it, too, has a significant impact on Reserve Component members. In FY04, procurement for the Reserve Component as a percentage of the DoD procurement budget is at its second lowest in recorded history at 3.19 percent. This comes even after a congressional addition of \$400 million for the National Guard and Reserve Equipment Authorization (NGREA). Meanwhile, procurement for the Active Component continues to realize consistent real growth from FY98 through FY09 of 108.6 percent. In the past, the use of "cascading" equipment from the Active to the Reserve Component has, in some cases been a reliable source of serviceable equipment. However, with the changes in roles and missions that have placed a preponderance of combat support and combat service support in the Reserve Component, there has not been much left to cascade. Also, funding levels, rising costs, lack of replacement parts for older equipment, etc., has made it difficult for the Reserve Component to maintain, modernize, and recapitalize its aging equipment to support a viable legacy force.

Continuing reductions in the NGREA have made funding required to maintain and replace existing equipment that is lost through combat, fair wear and tear, or obsolescence virtually non-existent. Without equipment, soldiers cannot train. If they cannot train, they leave the force.

**The Reserve Officers Association encourages Congress to reinvigorate the NGREA so these critical equipment needs can be met.**

#### Personal and Family Issues

- As previously mentioned, TRICARE for the Selected Reserve and certain members of the Individual Ready Reserve (IRR) and their families is a key recruiting and retention factor. The Reserve Officers Association feels that even though the Army recruits soldiers, it retains families. A TRICARE program that complements or replaces a civilian employers' program would provide balance with the Active Component.

With the different mobilizations for the Global War on Terrorism, numerous problems with pay and allowances for mobilized soldiers have arisen. A significant amount of anecdotal evidence demonstrates that this has been a major problem. In one case,

100 percent of one mobilized Army Guard unit's soldiers had pay problems. For example, one member reported he owed 10,000 due to being paid the wrong housing allowance rate.

**The Reserve Officers Association encourages all efforts to resolve systemic problems in the pay system that are affecting Reserve Component soldiers and their families.**

- The Reserve Officers Association supports efforts to improve the medical holdover situations that have occurred at several installations recently. The Reserve Officers Association applauds the Department of Defense for taking quick action to resolve the immediate issues. However, the long-term concerns over inadequate facilities at some installations, shortage of medical specialists, perceived inequities between Active and Reserve Component treatment, and long wait times for treatment and evaluation must be addressed comprehensively in light of continued mobilizations for the foreseeable future and increased reliance on the Guard and Reserve.
- The Basic Allowance for Housing (BAH) needs to be made the same for all Reserve soldiers, regardless of the length of their mobilization. To say that soldiers deserve less housing allowance strictly on the basis of the mobilization period being less than 20 weeks is unfair to soldiers and their families.

**The Reserve Officers Association supports a uniform Basic Allowance for Housing at the BAH I level for all mobilized soldiers, regardless of length of tour.**

- Family Programs are critical to Reserve Component soldiers and their families. Active Component soldiers and families, for the most part, live in close communities on military installations where it is possible to maintain a bond between the soldiers, their families, and their units. Many Reserve soldiers do not even live in the same communities as their units. Keeping families informed and supported can be difficult, particularly in more rural areas. In FY 2004, the Army Reserve's family programs suffered a \$3.9 shortfall from a requirement of \$7.5 million. In FY 2005 this shortfall is \$5.6 million.

**The Reserve Officers Association recommends full funding of the \$15.4 million requirement for Army Reserve Family Programs to provide essential services to soldiers and their families and to facilitate the Army Reserve's ability to adequately prepare soldiers for deployments and help families to become self-reliant.**

#### Critical Funding Requirements

The Army Reserve faces critical funding shortfalls in eight key areas. The shortfalls come in the pay and allowances accounts totaling \$348.4 million and the operations and maintenance accounts totaling \$180 million.

- Of these requirement shortfalls, the most critical is \$281 million in Inactive Duty Training (IDT), which will prohibit the Army Reserve from meeting its peacetime statutory requirement for 48 drills. Even though there is some cost avoidance due to mobilizations, it will not reach the level required to successfully conduct

the critical training that soldiers need for individual and unit readiness. Based on current estimates, the Army Reserve would be forced to cease training by late spring or early summer 2005.

- Shortfalls in family programs have already been covered in this testimony but it should be emphasized again that the \$5.6 million shortfall in this area directly affects soldiers and their families' ability to prepare for and function during mobilization.
- The Army Reserve Defense Health Program Accrual is funded at 98 percent of the \$680 million requirement. However, the \$7.1 million shortfall is the result of DoD actuarial studies that establish accrual rates based on "full-time" and "part time" personnel. The accrual rates for FY 2005 increased considerably in both categories. Analysis indicates that the rate change will leave the Army Reserve with this critical shortfall. This is an item of considerable congressional interest, and the rate change creates a significant effect on all three military services.

## NAVAL RESERVE

### Manning Levels

Since September 11, 2001, the Naval Reserve has recalled approximately 22,000 Selected Naval Reservists to support the War on Terrorism.

At a luncheon on February 12, 2004, Secretary of the Navy Gordon R. England responded when asked about the Naval Reserve, that only about 20,000 of the 86,000 Naval Reservists have been called to Active Duty. He questioned why we have so many if we are not using them. "The Naval Reserve will likely become smaller," England said.

The force size of the USNR needs to be measured on more than just a snap shot in time. The Secretary of Defense has suggested that Reservists rotate on and off Active Duty, spending one year out of six on recall. If you take last year's recall of 12,000 Naval Reservists per year x six years, that is 72,000 Naval Reservists that are needed to support Active Duty.

This means current numbers are close. FY04 authorization is 85,900. Reduce this by the 14,384 Reservists authorized as Active Duty support and the resulting number equals 71,516. Yet, the FY05 Presidential budget has asked for a reduction of 2,500 from this number.

The Navy is doing a "Zero Base Review" (ZBR) matching up Reserve billets to Active Duty requirements. Indications are that ZBR will not be completed until 2007.

Operational Support Scorecard as of March 3, 2004:

### Selected Reserves

Authorized End-Strength	71,516
On Active Duty (MOB)	2,425
Presidential Reserve Call-up (PRC)	53

Active Duty for Special Works (ADSW)	850
Annual Training (AT)	2,825
Active Duty for Training (ADT)	1,094
Inactive Duty Training (IDT)	<u>+2,467</u>
Total SELRES Operational Support	9,714

The Pentagon reports only 2,425 Reserve members; the rest of the picture shows that, as of the date reported, 14 percent of the USNR Drilling Force is directly supporting Active Duty.

#### Full Time Support

Authorized End-Strength:	14,384
USNR HQ & NRC Staffs	2,959
USN Staffs	+234
USNR: Operational	4,759
USN: Operational	<u>5,753</u>
Total Full Time Staff Operational support	10,512
Percentage of FTS providing Operational Support	74 percent
Reservists in Support of the USN	20,226
Percentage of Total Reserve Force	24 percent

Naval Reserve support to the fleet continued at more than two million workdays last year. An outside review is needed to show how the USN is using its Reservists and where money is being spent.

**ROA recommends that additional cuts to the USNR be frozen until at least FY 2008, allowing the ZBR to be completed.**

#### Recalled Personnel

"From our transport squadrons to many other functions, especially watchstanding in all the fleets, we have Reservists—probably 20 percent of the force—every week supporting the fleet around the world. And that's our vision—support the fleet, ready and fully integrated," Vice. Adm. John G. Cotton, Chief of Naval Reserve.

In support of the troop rotation ongoing in Iraq, the Navy could mobilize as many as 4,000 Reservists says Admiral Cotton. Included in the current mobilization is a Naval Reserve Construction Battalion and units encompassing Navy Cargo Handling Battalions and a Navy Supply Support Battalion of the Naval Expeditionary Logistics Support Force (NAVELSF), and Deployable Ammunition Handling Teams and Deployable Ammunition Reporting Teams of Atlantic Ordnance Command (AOC). Some of these latter units will be relieving Army units in Kuwait.



The majority of these Naval Reservists have been recalled individually based on specific skills. Contributions include significant numbers of law enforcement officers and security specialists. Entire units of the Naval Coastal Warfare commands were activated. Medical, supply, intelligence and other specialties are being heavily tasked. Naval Reserve pilots are keeping the flow of men and materiel flowing to the theater of operations.

Like the other armed services, great numbers of volunteers have stepped forward in support of the Global War on Terrorism. "In every facet of the Global War on Terrorism, Naval Reservists were and are filling the gaps; exactly what the Active Component wants us to do," Admiral Cotton has said.

#### Annual Training Funding Shortfalls

Messages have been released to USNR Commanding Officers recommending liberal use of waivers against entitlement Annual Training (AT). Funding appears to be running out with the Commander of Naval Reserve Forces scrambling to move money to support declining training

"A liberal waiver policy is encouraged. Approved waivers should be promptly documented... Excess funds should be reported back to Echelon IV comptroller to meet ongoing operational requirements." This indicates that: 1) training money has been consumed, and 2) that these moneys are being used to pay for active duty operational requirements vice training.

For the Naval Reserve, the rest of FY04 will be fiscally tight. It has already been anticipated by NR leadership that the Naval Reserve Personnel (RPN) appropriation has already incurred cost of war expenses that are not expected to be reimbursed through a supplemental for this FY. Current AT level puts us back to 90% for officers and 83% for enlisted.

#### Recruiting

Chief of Naval Reserve retention figures: 102 percent Enlisted, 99 percent Officers

This past year has reflected a change in Naval Reserve recruiting.

The first change was the consolidation of Active and Reserve recruiting.

The second major change was a reemphasis on recruiting Navy veterans versus non-prior service (NPS). While NPS men and women are as patriotic toward serving as any other group, the difficulty faced by the Navy was the 84 days of training before allowing the group to be deployed overseas. The Navy changed its criteria reemphasizing veteran recruiting and the number of veterans entering the Naval Reserve has increased, saving training dollars and increasing readiness.

The Navy will continue to recruit in certain specialty skills such as medical and construction, but will also recruit individuals who can attend the Navy boot camp accruing a large portion of the 84- day minimum.

Four thousand Reservists return to Active Duty every year.

## Homeland Defense

The Naval Reserve is an unsung contributor to Homeland Defense. While the Active Navy was concerned with forward deployment, the away game, the Naval Reserve has been working with the U.S. Coast Guard (USCG) on home field advantage. Until recently, the entire responsibility for coastal defense, subsurface, surface, and air rested with the Naval Reserve, partnering with the U. S. Coast Guard Reserve. So successful was the USNR in developing the harbor and coastal defense units that the regular fleet wants to transfer some of these assets to Active Duty.

Naval Reserve Mobile Inshore Undersea Warfare (MIUW) units have created the professional standards that have led to new Littoral Surveillance Systems. This new Joint Fire Network can be supported by Reservists and is needed in the major ports on the Atlantic, Pacific, and Gulf coasts.

A new mission arises which has been called Maritime NORAD (North American Aerospace Defense Command's). Risk and frequency of threat do not warrant manning this with full-time, Active Duty members. This seems to be a mission suitable for a joint USCG and Naval Reserve team. The Air Force has been successful with Air Guard and Reserve members running key command posts for NORAD. The USNR can be expected to excel at the same time.

## Conclusion

The Naval Reserve's top five Issues continue to be manpower, training, equipment and systems compatibility, force shaping, and fleet support. Nevertheless, substantial unfunded requirements continue to slow progress toward complete force integration with the Fleet.

The issue of fleet contributory support versus surge training requirements continues to pull Naval Reserve personnel policies and operations in two different, not wholly compatible, directions. Highly trained, motivated and experienced Naval Reservists should not be lost to the Naval Reserve Force while the nation girds for the long-haul in the Global War on Terrorism.

**ROA strongly urges the Congress to return Naval Reserve end-strength to 85,900 to support the increased requirements imposed by the Global War on Terrorism for the foreseeable future.**

## **MARINE CORPS RESERVE**

Over 48 percent, or more than 19,000, of the Marine Corps Reservists have been mobilized. Marine Reservists are in every theater of the Global War on Terrorism. They are in Iraq, Afghanistan, and Guantanamo Bay, Cuba.

Every Marine is first and foremost a Marine and a rifleman. With the rotation of troops, over 3,000 Marine [Reservists??] will be part of the 25,000 Marines deployed in the spring. In the fall, another 3,500 Marine [Reservists??] will be joining them.

The U.S. Marine Corps comprises 172,600 Marines in the Active Component and 39,558 in the Selected Marine Corps Reserve (SMCR). The mobilization has provided access to the 60,000 Marines in the Individual Ready Reserve. As an integral part of the Total Force, Reserve Marines augment and reinforce the Active Component by executing the spectrum of missions assigned to the Corps in times of war and peace. Of particular note, more than 98 percent of Marine Corps Reserve units are assigned to Active Duty forces in support of the Marine Corps' commitment to joint operations plans.

Accordingly, all operational units of the SMCR have been assigned to a unified combatant commander and apportioned to each for major theater war operational plans. The Marine Corps Reserve contributes approximately one-fourth of the force structure and one-third of the trained manpower of the Marine Corps. Specifically, Marine Reservists comprise all of the adversary squadrons, air naval gunfire liaison companies (ANGLICO) and civil affairs groups, one-half of the tank battalions, and one-third of the artillery and low altitude air defense battalions.

The actions in Southwest Asia have caused the U.S. Navy and U.S. Marine Corps to work even more closely than ever before. Throughout the history of our nation, the Marine Corps has been in close partnership with the U. S. Navy.

This is also the case with Naval Reserve augmentation to Marine Reserve units. Naval Reserve corpsmen were activated when their infantry platoons were called up in early November 2001. Also, for the first time, the Navy-Marine Corps team activated the Medical Augmentation Program, which provides Active Duty Navy personnel to support certain Marine Reserve units.

The U.S. Navy will continue to directly support the Marine Force Reserve by providing over 2,700 medical, dental, religious, and naval gunfire support staff as it returns to Iraq. The Marine Corps Reserve of today is on call and utilized every day. The Marine Corps Reserve has doubled its average contribution of 150,000 workdays per year to over 300,000 workdays in recent years. Initiatives like this provide tremendous relief in operational tempo for the Active Component.

**ROA urges the Congress to maintain the authorized Selected Marine Corps Reserve end-strength at 39,600 (including 2,261 Active Reservists) to ensure the Marine Corps' capability to be the first expeditionary American force to meet and defeat the enemy anywhere in the world.**

#### Funding Shortfalls

The request to support the Marine Corps Reserve appears to be under funded in the Operation and Maintenance, Marine Corps Reserve (O&MMCR) and Reserve Personnel, Marine Corps (RPMC) appropriations. Maintaining the necessary funding to pay, educate, and train our Marine Reservists, and to enable the units of the Marine Forces Reserve to conduct appropriate training and operations is the vital first step to combat readiness and sustainability.

Additional O&MMCR funds are needed for initial issue of equipment, replenishment and replacement of equipment, exercise support, and organizational and depot maintenance.

Only by equally equipping and maintaining both the Active and Reserve forces will Total Force integration be truly seamless. Foremost is the maintenance of aging equipment.

The Marine Corps Reserve armored vehicles' age, coupled with increased use, contributes to this requirement. The Initial Issue Program also continues to be a top priority. This program provides Reserve Marines with the same modern field clothing and personal equipment issued to their Regular Marine counterparts.

#### AIR FORCE RESERVE

The Air Force Reserve continues to be significant partners in the Total Force effort to support Operation Iraq Freedom and Operation Noble Eagle in Afghanistan.

#### Mobilizations as of January 23, 2004

Total Mobilizations	27,422
Total Mobilized > 1 Year	7,269
Total Demobilized To Date	18,340
Total Currently Mobilized	9,082
Current Mobilized > 1 Year	2,010

#### Operation Iraq Freedom Contributions

<b>B-52</b> - 33% of crews - LITENING II pod - Strategic Attack & CAS	<b>C-5</b> - 50% of AF crews	<b>KC-10</b> - 25% of AF crews
<b>E-3</b> - 20% of crews - Airborne Warning & Control	<b>C-17</b> - 45% of AF crews - Combat Airdrop - Operating into Iraq Airfields	<b>KC-135</b> - 25% of AF crews
<b>F-16</b> - Volunteers for AEF - CAS, Counter Air, & Scud hunting - LITENING II pod - SADL	<b>C-130</b> - 15% of AF crews - Tactical Airlift - NVG Cockpit Lighting & Crew Qualification	<b>HH-60</b> - 33% of AF crews - Combat Rescue
<b>A-10</b> - LITENING II pod - Trained within 3 weeks - CAS	<b>C-141C</b> - 40 AC (90% of C-141s) - Aeromedical Evac Msn - Repatriate POWs	<b>HC-130</b> - 33% of AF crews - Combat Rescue
<b>Aeromedical Evacuation</b> - Movement of patients		<b>MC-130</b> - 62% of AF crews



out of combat theater - 45% of Air Force capability within AFRC - 1700 patient moves; 450 urgent)		- Special Ops
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## Future Challenges

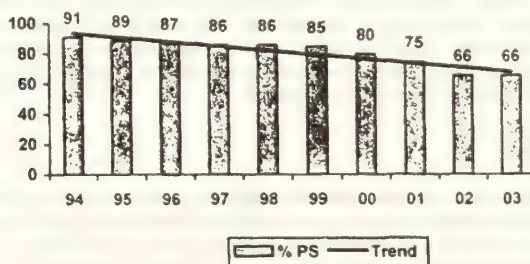
### Reenlistment Bonus Period of Eligibility for Selected Reserve

The command is experiencing a dip in retention rates despite stop/loss and mobilization, which acts like a defacto stop loss. Historical levels: Officer 92 percent and Enlisted 85 percent.

	FY03 PERCENT
Officer	88.7
Enlisted 1stTerm	83.3
Enlisted 2nd Term	76.0
Enlisted Career	87.8
Overall	85.5

- Title 37, United States Code (USC), section 308b, establishes reenlistment bonus eligibility for a member of a Reserve Component who is not serving as an Active Guard and Reserve member (as defined in 10 USC 101(d)(6)) as referenced in section 308 with the primary requirement for eligibility and payment of a bonus upon reenlistment is that the member must have completed less than 14 years of total military service. Increasing the eligibility for reenlistment bonuses to 20 years of total military service and increasing the number of bonuses that can be paid under this section could expand the available force pool, as mid-level enlisted Reserve members could take advantage of the new bonus criteria. Using a 20-year service cutoff instead of a 14-year period would encourage selected experienced mid-level subject matter experts to reenlist to established high year of tenure or mandatory separation dates; should members accept this incentive and reenlist, it could boost each service's retention effort in critical skill areas.

### Prior Service Downward Trend in AFR Accession Rates



- Change the recoupment from a formula based on Active Duty and Reserve points to no more than 50 percent of the retired pay each month. Modification of the recoupment provision will eliminate a disincentive for former Active Duty members to serve additional Reserve service and allow services to access personnel already possessing military skills, experience, and training. This is a no cost proposal. Repayment periods are extended to allow service members to repay their gross amount of separation pay received while still allowing members to receive a reasonable amount of retirement each month. However, the full amount of separation or severance pay received is paid back in its entirety. Payback is not subject to interest accrual and not contingent upon a specific payback period.

#### Inactive Duty Training (IDT) Point Limit Removal

Reserve Component members are capped on the number of earned IDT points they can keep towards retirement. This is tantamount to telling an Active Duty member they will only be paid for 11 months out of 12 for their retirement.

- Eliminate the limitation on the number of IDT points creditable towards eligibility for a Reserve Component retirement with the cap that all points received in a year cannot exceed 365. Since 1990 and following Operation Desert Storm, the operations and personnel tempo has continued to increase; yet the need for completion of operational and professional training requirements is still necessary. The training requirements training for aircrew members are: 48 IDT periods; 48 Additional Flying Training Periods (AFTP); 24 Additional Ground Training Periods (AGTP), for a total of 120 points. Additional IDT points are awarded for the completion of professional military education (PME) courses. However, IDT points earned for completion of PME courses often results in typical Reserve Component members exceeding the limit of 90 IDT points.

#### Inactive Duty Status Authority to Compensate for Virtual Duty (Telecommuting)

One of the strengths of the Individual Member Augmentee (IMA) program is the experience Reserve Component members can apply to projects. This would best be accomplished if the members they had the flexibility to perform inactive duty by telecommuting.

- Technology enables members to perform work away from the traditional worksite—telecommuting. This authority would work well with Inactive Duty Training by enabling work or projects to be completed that require periods of work that are not consecutive. Amend section 206 of title 37, United States Code, to authorize compensation for Reserve Component members performing duty authorized by the appropriate military authority whether under direct military control or performing assigned duties in a virtual environment.

#### **CONCLUSION**

DoD, as we all know, is in the middle of executing a war—the Global War on Terrorism and operations in Iraq are directly associated with that effort. For the Department, worries have emerged about additional spending during these military actions. Almost every initiative to include proposed changes to personnel practices and improvements in

compensation programs are quickly placed under a "what will it cost?" scrutiny. It is ROA's view that this scrutiny is too often oriented toward immediate costs with a lack of appropriate regard for long-term benefit versus life cycle costs. This is not to say that prudent, fiscal personnel and budget policies and processes should be ignored. At all times what is being achieved should respectfully be balanced with how something is being achieved.

From a positive aspect, I believe that DoD's work to change and transform are admirable. Although many issues effecting Reservists are difficult and complex, the Departments of Defense, Homeland Security, Health and Human Services have all accomplished much in streamlining and updating mobilization and demobilization and in working health care challenges of wounded military members. Proposed improvements in personnel policies and in Reserve training constructs look promising—as long as consideration for Reserve readiness is protected.



## Reserve Officers Association of the United States

*"PRESERVING THE NATION'S DEFENSE FOR 80 YEARS"*

### Major General Robert A. "Bob" McIntosh, USAFR (Ret.) Executive Director

Major General Robert A. "Bob" McIntosh, USAFR (Ret.), executive director of the Reserve Officers Association, was Chief of the Air Force Reserve from December 1994 until 1998 when he became the principal advisor on Reserve Matters to the Joint Chiefs of Staff. He retired from the Air Force Reserve in December 2002 after nearly 37 years of service.



General McIntosh entered the Air Force in 1966 as a graduate of the Ohio University ROTC program with a bachelor's degree in business administration. He separated from active duty in August 1971 to join the Air Reserve Technician Program as a full-time civil service employee, while continuing his active participation as an Air Force Reservist. He is a command pilot with more than 4,000 flying hours in the A-10, A-37, C-130 and F-4.

From July 1989 to November 1990, General McIntosh was assigned as commander, 10th Air Force, Bergstrom Air Force Base, Texas, then as vice commander, Headquarters Air Force Reserve, Robins Air Force Base, Ga., from December 1990 to June 1993. From July 1993 to October 1994, he was commander, 22nd Air Force, Dobbins Air Force Base, Ga.

The general's awards include: the Defense Distinguished Service Medal, Distinguished Service Medal, Legion of Merit, Distinguished Flying Cross, Meritorious Service Medal with oak leaf cluster, Air Medal with 18 oak leaf clusters, Air Force Commendation Medal with oak leaf cluster, Vietnam Service Medal with three service stars, Republic of Vietnam Gallantry Cross with Palm and Republic of Vietnam Campaign Medal.

General McIntosh and his wife, Susan, reside in Virginia. He assumed his duties as executive director on 1 April 2003.

*Army H Navy H Air Force H Marine Corps H Coast Guard H Public Health Service H NOAA*

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**STATEMENT  
OF THE  
  
ASSISTANT  
SECRETARY OF DEFENSE FOR  
RESERVE AFFAIRS  
  
HONORABLE THOMAS F. HALL  
BEFORE THE  
  
TOTAL FORCE SUBCOMMITTEE  
OF THE  
HOUSE COMMITTEE ON ARMED SERVICES  
  
IN CONNECTION WITH  
RESERVE COMPONENT ISSUES**

**31 MARCH 2004  
1:00 P.M.**

Room 2212 RHOB

FOR OFFICIAL USE ONLY  
UNTIL RELEASED BY THE  
HOUSE COMMITTEE ON ARMED SERVICES  
TOTAL FORCE SUBCOMMITTEE

**Thomas F. Hall****Assistant Secretary of Defense for Reserve Affairs**

Thomas F. Hall, a native of Bamsdall, Oklahoma, was sworn in as the fourth Assistant Secretary of Defense for Reserve Affairs on October 9, 2002. A Presidential appointee confirmed by the Senate, he serves as the principal staff assistant to the Secretary of Defense on all matters involving the 1.2 million members of the Reserve components of the United States Armed Forces. He is responsible for overall supervision of Reserve component affairs of the Department of Defense.



Mr. Hall is a retired two-star Rear Admiral having served almost 34 years of continuous active duty in the United States Navy. He is a distinguished and decorated Naval Aviator, who served a combat tour in Vietnam. He has performed in numerous high level staff, command, and NATO positions during his career. He commanded Patrol Squadron EIGHT, Naval Air Station Bermuda, and the Iceland Defense Force. His final military assignment was as the Commander/Director/Chief of Naval Reserve. His military awards include the Distinguished Service Medal, Defense Superior Service Medal, Legion of Merit, Air Medal, and various other personal and unit decorations. He was awarded the Order of the Falcon, with Commander's Cross, by the President of Iceland in recognition of his accomplishments and service as Commander Iceland Defense Force. He has been inducted into the Oklahoma Military Hall of Fame.

Mr. Hall attended Oklahoma State University for one year before entering the United States Naval Academy in Annapolis, Maryland. In 1963, he graduated from the Academy with a bachelor's degree in Engineering and was named as one of the top 25 leaders in his class, having commanded both the top Battalion and Company. He was, also, awarded the Brigade Intramural Sports Trophy. In 1971, he received a master's degree in Public Personnel Management from George Washington University. He graduated with highest distinction from the Naval War College; with distinction, from the National War College; and from the National Security Course at Harvard University. He was selected as a Fellow and served on the Chief of Naval Operations Strategic Studies Group.

Mr. Hall has served on the Boards of Directors of numerous nonprofit organizations that are supporting the needs of our veterans and citizens in general. Prior to returning to government service, Mr. Hall served as the Executive Director of the Naval Reserve Association for six years. The Naval Reserve Association is a 501 (c) (3) nonprofit veterans' organization that represents over 23,000 Naval Reserve officers, members, and their families.

Mr. Hall is married to the former Barbara Norman and they have one son, Thomas David Hall.

**RESERVE AFFAIRS POSTURE STATEMENT****FY 2005****INTRODUCTION**

Good morning Mr. Chairman and members of the subcommittee, thank you for your invitation to testify today. I would like to provide information to assist you in making the critical and difficult decisions you face over the next several months. This committee has been very supportive of our National Guard and Reserve members and on their behalf; I want to publicly thank you for all your help in strengthening our Reserve components. The Secretary and I appreciate it, our military personnel are grateful, and we thank you.

**THE ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS' MISSION**

The mission of the Assistant Secretary of Defense for Reserve Affairs (ASD/RA), as stated in Title 10 USC, is the overall supervision of all Reserve components' affairs in the Department of Defense. I take this responsibility very seriously because our Guard and Reserve perform vital national security functions at home and around the world, and are closely interlocked with the states, cities, towns, and communities in America. Since I last saw you, I have made it my business to get out to the field—to see and listen to the men and women in our Guard and Reserve. My staff and I have spent time in the states and around the world with them and we have listened carefully to their comments and concerns. Again this year, we are continuing to closely monitor the impact of increased use on our Guard and Reserve members, and on their families and employers.

My "Acid Test for the Guard and Reserve" remains unchanged; that is to "Ensure that the Guard and Reserve are: assigned the right mission; have the right training; possess the right

equipment; are positioned in and with the correct infrastructure; are physically, medically, and operationally ready to accomplish the assigned tasks; are fully integrated within the active component; and are there in the right numbers required to help fight and win any conflict!"

### **RESERVE COMPONENTS ARE FULL PARTNERS IN THE TOTAL FORCE**

Because the Reserve components (RC) now comprise 46% of the Total Force, they are an essential partner in military operations ranging from Homeland Defense and the Global War on Terrorism to peacekeeping, humanitarian relief, small-scale contingencies and major crises. The fiscal year 2005 Defense budget recognizes the essential role of the RCs in meeting the requirements of the National Military Strategy. It provides \$33.3 billion for Reserve component personnel, operations and maintenance, military construction, and procurement accounts, which is approximately 2.8% above the fiscal year 2004 appropriated level. Significantly, this is only 8.3% of the overall DoD budget, which represents a great return on investment. Included are funding increases to support full-time and part-time personnel, and the required sustainment of operations. It also continues last year's effort toward RC equipment modernization and interoperability in support of the Total Force policy. These fiscal year 2005 funds support 870,900 Selected Reserve personnel. The Selected Reserve consists of the following: Army National Guard 350,000; Army Reserve 205,000; Naval Reserve 83,400; Marine Corps Reserve 39,600; Air National Guard 106,800; and Air Force Reserve 76,100; Coast Guard Reserve 10,000 (funded by the Department of Homeland Security). Our total Ready Reserve, which also includes the Coast Guard Reserve, Individual Ready Reserve and Inactive National Guard, is approximately 1.2 million personnel.



Maintaining the integrated capabilities of the Total Force is key to successfully achieving the Defense policy goals of assuring allies, dissuading military competition, deterring threats against U.S. interests, and decisively defeating adversaries. Only a well-balanced, seamlessly integrated military force is capable of dominating opponents across the full range of military operations. DoD will continue to optimize the effectiveness of its Reserve forces by adapting existing capabilities to new circumstances and threats, and developing new capabilities needed to meet new challenges to our national security.

### **MOBILIZATION, CONTINGENCIES, AND THE GLOBAL WAR ON TERRORISM**

Today, we are in the midst of one of the longest periods of mobilization in our history. However, one certainty remains - that when called upon, the men and women of the National Guard and Reserve will respond promptly and perform their duty. From September 11, 2001, through December 31, 2003, we had mobilized 319,193 Reserve component personnel in the Global War on Terrorism (GWOT). We are managing these call-ups in a prudent and judicious manner, assuring fair and equitable treatment as we continue to rely on these citizen-soldiers.

As of December 31, 2003, 181,459 Reserve component personnel were on active duty - here at home and in every theater around the world supporting the Global War on Terrorism. They are providing a very broad range of capabilities, from Special Operations and Civil Affairs to personnel and finance support. The Service component breakdown is as follows:

- Army National Guard (ARNG): 91,079
- Army Reserve (USAR): 65,079
- Air National Guard (ANG): 6,420
- Air Force Reserve (USAFR): 9,376

- Navy Reserve (USNR): 1,562
- Marine Corps Reserve (USMCR): 6,774
- Coast Guard Reserve (USCGR): 1,169

Morale is high. Reservists are proud of their contribution and ready to serve. They will continue to respond to the call to active duty as long as there is meaningful work and we only keep them on duty for the absolute essential period of time. The men and women with whom I have spoken are proud of their service, fulfilling important missions and contributing to the needs of their country. We know there is a clear correlation between job satisfaction and proximity to the action and it is our intent to make sure when we call Guardsmen or Reservists we assign them to the full range of military missions.

#### **MANAGING FORCE CAPABILITIES IN HIGH DEMAND**

With the Global War on Terrorism and the ongoing mobilization of Guard and Reserve members, we are monitoring the capabilities in the Reserve components that have been in high demand and, where necessary, identifying actions necessary to reduce the demand on these capabilities. To assess the capabilities that are projected to be in demand as we prosecute the war on terrorism, the Department has conducted an analysis of what elements of the RC have been called-up—evaluating their usage in terms of:

- Frequency of call-up—the number of times members have been called to active duty since 1996.
- Percentage of available pool—what percent of the RC force has already been used to support current operations.
- Duration—how long the members served when they were called-up.

Frequency of call-up—empirical data have revealed that, to date, a relatively small number of RC members have been called up in support of the current operation who were called up for other contingency operations in the last eight years. Through December, 2003, overall, 27,784 Reserve members, or about 3.2% of our Selected Reserve force of 875,609, had been involuntarily called-up more than once since 1996 (11,802 called-up for more than one contingency operation – Bosnia, Kosovo, Southwest Asia, and ONE/OEF/OIF - and another 15,982 called-up more than once for the current contingency - ONE/OEF/OIF). This indicates that from a macro perspective the frequency of call-ups does not indicate an excessively high demand on the Reserve force at this time.

Percent of available pool—to mitigate the depletion of the available pool of reserve assets, the Department policy is that Reserve component members will not serve involuntarily more than 24 cumulative months and to utilize volunteers to the maximum extent possible. In viewing the available pool from the macro level, it might appear that the overall percentage of the RC force that has been used to support operations since 9/11 may be approaching a level difficult to sustain over a prolonged campaign. Through December 2003, about 37 percent of the Selected Reserve force was mobilized in just over two years of this operation. However, the usage rate is not consistent across the force. Some career fields—like force protection, civil affairs, intelligence and air crews—have been used at a much higher rate. And other career fields—like medical administration, legal, and dental—have been used at a much lower rate. Currently, the utilization is concentrated in about ¼ of the officer career fields and about ⅓ of the enlisted career fields; furthermore, the highest utilization is concentrated in a relatively small number of selected career fields.

Duration—tour lengths for RC call-ups have increased for every operation since Desert Shield/Desert Storm. The average tour length for Desert Shield/Desert Storm was 156 days. For operations in Bosnia, Kosovo, and Southwest Asia, the average tour length was about 200 days. For those members who have completed tours of duty during the current contingency, tour lengths have averaged about 320 days.

We are taking steps to address the possible depletion of needed resources that include:

- Increasing international military participation in Iraq, and developing Iraqi capacity to conduct police and security tasks and increasing actionable intelligence to disrupt threats to stability in Iraq.
- Rebalancing the Active and Reserve force mix and capabilities. By identifying about 100,000 billets for possible restructuring over the next several years.
- Reviewing over 300,000 military positions for possible “civilianization,” thereby increasing the number of military in the operational force.

All these actions are high priorities for the Department since they will provide greater stability and predictability for reservists, their families and employers, and will optimize the forces available over what is anticipated to be a long war.

Predictability is an important key to using the Reserves. It is now routine for the Army Guard to plan and execute Bosnia and Kosovo missions. They are currently maintaining about 474 Guardsmen in the Sinai. The Army Reserve provides most of the logistics support in Kosovo. Future rotations in Iraq and Afghanistan will be planned in advance, providing more time for the RC to train at home in preparation.

Force protection continues to be an important requirement for the force in the Global War on Terrorism both at home and abroad. Reserve personnel provide the majority of force



protection to military personnel and installations worldwide. As of February 25, 2004, the Army National Guard had 6,021 soldiers augmenting Air Force security forces—providing support at Air Force bases for the second and final year of this mission. Approximately 9,000 soldiers provided force protection for the Air Force the first year. This initiative is one example of innovative solutions for force protection in the GWOT as the Air Force rebalances its security forces through an increase in training capacity, use of contractors and technological solutions.

The Guard and Reserve are important partners in daily military operations and will play a major role in any future operations while maintaining its traditional role as citizen soldiers. We must ensure that when we employ members of the Guard and Reserve, they are provided meaningful missions and we retain them on active duty for only as long as is necessary to accomplish the mission.

### **REBALANCING THE FORCE**

The Reserve components continue to make significant and lasting contributions to the nation's defense and to the Global War on Terrorism while the Armed Services transform to be more responsive, lethal, and agile. However, it has become evident that the balance of capabilities in the Active and Reserve components is not the best for the future. There is a need for rebalancing to improve the responsiveness of the force and to help ease stress on units and individuals with skills in high demand.

Repeated mobilizations are not a major problem yet. Through December 31, 2003, just over 3% of the Selected Reserve force serving today had been involuntarily called-up more than once since 1996. Thus, force rebalancing is necessary in some areas, but in other areas innovative management actions may be sufficient to reduce the stress of over-use.

Easing or reducing the stress on the force requires a multifaceted approach by the Department--no single solution will resolve the challenges faced by the Services. To achieve this goal, the Department engaged in a cohesive rebalancing strategy consisting of the following points:

- Move later deploying Active component (AC) forces forward in operation plans and early deploying RC forces later in the plan and shift assets between combatant commanders. This would enhance early responsiveness by structuring forces to reduce the need for involuntary mobilization during the early stages of a rapid response operation.
- Introduce innovative management techniques such as enhanced volunteerism, expanded use of reachback, streamlined mobilization processes to improve responsiveness, and employment of innovative management practices such as the continuum of service and predictable overseas rotations.
- Rebalance capabilities by converting lower priority structure to higher priority structure both within and between the AC and RC.

Through this comprehensive rebalancing strategy the Department will gain added efficiencies from its existing force structure that may preclude any necessity to increase force end strength. This rebalancing strategy has already resulted in about 10,000 changes in military spaces both within and between the Active and Reserve components to address stressed career fields in fiscal year 2003, and about 20,000 more in fiscal year 2004. The fiscal year 2005 budget supports about 20,000 additional changes as well.

A breakdown of specific fiscal year 2005 Service-rebalancing initiatives includes:

- Army – 12,000 spaces converted to improve early responsiveness in the

transportation, quartermaster, medical and engineer career fields. Conversions will also reduce stress on military police, special operations forces and intelligence career specialties.

- Navy – 1,000 spaces converted to reduce stress in security forces.
- Marine Corps – 3,000 spaces converted to reduce stress in Air Naval Gunfire Liaison Companies, security forces and intelligence career fields.
- Air Force – 4,000 conversions to reduce stress in security forces, aircrews and maintenance career fields.

Additional plans embedded in the Future Years' Defense Plan (FYDP) include further conversions and major rebalancing efforts to improve readiness and capabilities. In total, the Services plan to rebalance about 100,000 spaces between fiscal years 2003 and 2009.

By employing innovative force management practices, the Services can perhaps achieve the greatest degree of flexibility in utilizing the Total Force, while reducing the stress on critical career fields and the need for involuntary mobilization. Each Service is unique. Approaches such as the continuum of service, reachback, improved predictability through rotational overseas presence, and improvements to the mobilization process, can help to ensure that the Services have access to individuals with the skills and capabilities required for both emergent operations and sustained, day-to-day activities.

In total, the initiatives described reflect a cohesive rebalancing strategy that will ease the stress on the Reserve Forces. Rebalancing efforts will not happen overnight. The process will be iterative and ongoing, as demands on the Total Force change and new requirements create different stresses on the force. By proceeding in this manner, the Department will be able to

achieve its transformational goals, ensure the judicious and prudent use of its Reserve components, and ultimately assure victory in the Global War on Terrorism.

### TRAINING THE FORCE

The Guard and Reserve are preserving their well-earned reputation as the best trained and best led Reserve components in the world. However, our global environment has changed significantly since September 11<sup>th</sup>, and our approach to training and readiness has changed accordingly. As we prosecute the Global War on Terrorism, training to meet required readiness levels remains a Departmental priority and attention is focused on optimizing training effectiveness and efficiency.

Meeting these challenges requires both short-term and long-term solutions. As an example, we are finding that functions for which units and personnel are structured and trained do not always match the current and emerging mission requirements. While rebalancing efforts provide force structure solutions, immediate retraining of our Reservists provides a near-term solution. Once units are identified for future force rotations, retraining begins immediately to maximize time available prior to deployment. Currently innovative concepts such as employing four-week training venues, known as "2+2s" or "pop-ups" - that are comprised of two-weeks of Annual Training coupled with follow-on two-weeks of Active Duty Training (ADT) - are quickly and effectively meeting these challenges. Although our solution set is effective, it is not yet efficient.

We need additional tools, innovations and flexibility to better manage current training/retraining efforts. To this objective, a proposed legislative change requests removal of the "other than for training" exclusion from existing mobilization statutes. The ability to



schedule and conduct well-planned, phased training will yield maximum benefits in both the learning experience and skills retention. Coupled with the Department's "train, mobilize, deploy" approach to RC employment, we will capitalize on scarce resources, reduce "cross-leveling" and unit disruptions, and eliminate some "post-mobilization" training. This approach allows units to train together and deploy as cohesive, effective units. Ancillary benefits also include increased predictability, stability and relevance for RC members, and protections and benefits for members' families not previously available while participating in required training in a non-mobilized status.

Effective and meaningful training is only relevant if RCs are responsive and rapidly deployable in the joint strategic environment. Toward that end, we've worked to ensure the Reserve components are included in all training transformation initiatives and other joint training opportunities. These joint opportunities will result in a significantly improved overall capability of our Armed Forces.

Also included in the Training Transformation initiative is the use of cutting edge training technologies that will significantly improve members' access to required training – anytime, anywhere. When implemented, training transformation will deliver joint training worldwide and provide a major step forward for Reserve members, providing distributed learning with embedded simulations that will enable "see, learn, do" training. These and other technology-based initiatives will optimize use of training days, while limiting time away from employers and families.

Our part-time citizen soldiers, sailors, airmen and Marines have responded magnificently to their Nation's call. They have faced significant training challenges supporting the Global War

on Terror - challenges they have met head-on and overcome – and I am immensely proud of their accomplishments.

### **A CONTINUUM OF SERVICE**

We are in our second year of transitioning to a new approach in force management called “continuum of service.” The continuum of service will facilitate varying levels of participation and enable members to more easily move between Active and Reserve service. Particularly for reservists, this approach would enable them to voluntarily move from the traditional reserve training regimen (or simply being available as part of the Individual Ready Reserve manpower pool) to full-time service for a period of time – or into a participation level somewhere between full-time and the traditional 38 days of reserve training each year. Or move in the other direction – fewer days of participation as their circumstances dictate. The continuum of service also applies to the active service member who could easily move into a Reserve component for a period of time, without jeopardizing his or her career and opportunity for promotion.

Just as the continuum of service encourages volunteerism in the standing force, it also creates opportunities for military retirees and other individuals with specialized skills to serve on a more flexible basis, if their skills are needed.

The “continuum of service” has a number of important advantages: in addition to capitalizing on volunteerism, it will enhance the ability of the Armed Forces to take advantage of the highly technical skills many reservists have developed by virtue of their experience in the private sector – while at the same time creating opportunities for those in the Active force to acquire those kinds of skills and experiences. It also improves our capability to manage the military workforce in a flexible manner, with options that currently exist only in the private sector. Finally, there are

certain skills that are hard to grow or maintain in the full-time force, but may be ideally suited for part-time service in a Reserve component, such as certain language skills and information technology specialties. The continuum of service can provide the opportunity for highly trained professionals to serve part-time and provide a readily available pool of these highly specialized individuals who would be available as needed.

We have two programs that started last year using this concept. In August 2003, the Army implemented an innovative new program to recruit Arabic speakers directly into the Individual Ready Reserve. The program focuses on recruiting American citizens or U.S. permanent residents (many of Iraqi origin) who are fluent in languages that are needed for the Global War on Terrorism. By the end of 2003, the Army had enlisted 144 heritage Arabic speakers. By the end of this year, we expect the number of volunteers participating in this program to exceed 250. Recruits include individuals skilled in the following languages: Arabic-Modern Standard; Arabic-Gulf-Iraqi; Pushtu; Pushtu-Afghan; Pushtu-Peshawari; Kurdish; Turkish; Dari/Persian-Afghan/Persian-Dari. Once they complete all training requirements, many will deploy to Iraq to assist in the reconstruction effort.

The second initiative now under way is a small pilot program aimed at leveraging people with a unique set of civilian skills that are hard to grow and maintain on active duty, but who can, in small numbers, have a dramatic impact on our military's success on the battlefield. This program, known as the Defense Wireless Service Initiative, is recruiting highly skilled wireless engineers and spectrum managers to help us better manage our increased use and reliance on the electromagnetic spectrum in the execution of combat operations and employment of smart weapons. Our office is working with the Army to imbed a total of eight reservists (4 officers and 4 enlisted) into an Army structure that will work in two four-person teams to analyze operational

scenarios and lay down networks for the Army. When called, these reservists will deploy to perform real-time operational spectrum management.

While we are making strides to implement the continuum of service, there are areas in which we need your assistance. They include:

- Providing more consistency in management and accounting of reservists serving on active duty.
- Providing greater flexibility in using inactive duty for reach-back and to perform virtual duty.
- Allowing for an alternative military service obligation and streamlined basic training for certain individuals accessed into the force with unique civilian acquired skills.
- Providing the authority to establish auxiliaries for the Army, Navy and Marine Corps, modeled after the very successful Coast Guard Auxiliary.

These changes will help the Department optimize the use of the force and facilitate volunteerism, thus reducing the need to involuntarily call-up Guard and Reserve members.

#### **BALANCING CRITICAL NATIONAL SECURITY RESOURCES**

To preclude conflicts between Ready Reserve members' military mobilization obligations and their civilian employment requirements during times of war or national emergency, the Department conducts a continuous "screening" program to ensure the availability of Ready Reservists for mobilization. Though once a mobilization is declared—as occurred on September 14, 2001, all additional screening activities cease and all Ready Reserve members are considered immediately available for active duty service. At that time, no new deferments, delays, or exemptions from mobilization are granted because of civilian employment.



However, due to the unique situation that was created by the events of September 11<sup>th</sup>, the Department immediately recognized that certain federal and non-federal civilian employees were critically needed in their civilian occupations in response to the terrorist attacks on the World Trade Center and Pentagon. Accordingly, the Department established a special exemption process to help accomplish overall national security efforts. As of December 31, 2003, we have processed 263 requests from civilian employers to delay or exempt a reservist-employee from mobilization. We approved 98 requests for exemptions, 90 reservists were authorized a delay in reporting to give the employer time to accommodate the pending mobilization of the employee, and 75 requests were denied. We continue to receive exemption requests as additional reservists are identified for mobilization and process them as expeditiously as possible.

#### **RESERVE COMPONENT SUPPORT TO CIVIL AUTHORITIES**

The National Guard has played a prominent role supporting local and state authorities in terrorism consequence management. At its core is the establishment of 44 Weapons of Mass Destruction Civil Support Teams (WMD CSTs), each comprised of 22 highly skilled, full-time, well-trained and equipped Army and Air National Guard personnel. To date, the Secretary of Defense has certified 32 of the 44 Congressionally authorized teams as being operational. The locations of the twelve new teams, designated in the FY04 National Defense Authorization Act, have not been formally released by the Assistant Secretary of Defense for Homeland Defense.

The WMD CSTs will deploy, on order of the State Governor, to support civil authorities at a domestic chemical, biological, radiological, nuclear, or high yield explosives (CBRNE) incident site by identifying CBRNE agents/substances, assessing current and projected consequences, advising on response measures and assisting with appropriate requests for additional state and

federal support. These 44 strategically placed teams will support our nation's local first responders as a state response in dealing with domestic incidents. The Reserve components WMD CST funding for FY2004 is \$184.4 million, and the budget request for FY 2005 is for \$189.9 million. In the 2004 NDAA, Congress directed the Secretary of Defense to field 12 new teams and to develop a plan to establish an additional 11 WMD-CSTs, in order to have at least one in each state and territory.

The Department is also leveraging the capabilities of existing specialized Reserve component units for potential domestic use in support of civil authorities. During FY 2001, DoD completed the training and equipping of 25 Army Reserve chemical decontamination companies and 3 chemical reconnaissance companies to support civil authorities in responding to domestic incidents. This enhanced training and equipment will improve the readiness of these units to perform their war-fighting mission, while allowing them to respond effectively to a domestic emergency, if needed. A budget request of \$12.4 million was approved for FY 2004 to continue training Army Reserve chemical soldiers to perform these domestic decontamination and reconnaissance missions and also to sustain specialized equipment. Some of this money will also be used to provide training to Army Reserve medical soldiers that will better enable them to support a domestic medical response to a chemical, biological, radiological, or nuclear incident.

### **RECRUITING AND RETENTION**

Historically, the recruiting market for the Reserve components has been a mix of prior service personnel who recently separated from active duty and individuals with no previous military experience. Both market segments now present significant recruiting challenges. A smaller active force means a smaller number of prior service military members available for the

Reserve force. In the non-prior service market, the propensity of 17-25 year olds to consider military service is lower than in the past. Compounding these difficulties, all Services and their Reserve components are trying to recruit from essentially the same non-prior service market—the same population from which civilian employers recruit.

However, even in the face of these challenges, in the aggregate, the Reserve components exceeded their authorized end strengths for FY 2003, which is the ultimate objective of the recruiting program. Where recruiting difficulties occurred, retention was more than sufficient to offset potential strength shortages. Where retention was lower than hoped for, recruiting missions were exceeded. Overall, we are well positioned to recruit and retain sufficient Reserve component personnel to meet currently projected force levels for the immediate future.

The Reserve components have not experienced a significant exodus of personnel as a result of the recent relatively high use of the Reserve and National Guard. Attrition was lower than expected in almost every component. Only in the Air National Guard did attrition exceed the established ceilings (12.7 % versus a ceiling of 12.0%). Although this is an issue that the Air National Guard is monitoring closely, it is not considered to be a significant problem, as recruiting was well above program goal and the Air National Guard exceeded its end strength objective.

Although the Reserve components achieved 2003 strength objectives and are continuing that success thus far in 2004, we remain vigilant about the possible impacts of an improving economy and high operations tempo on our ability to sustain desired strength levels.

To assist the RCs in their recruiting and retention efforts, we are proposing an accession/affiliation bonus for officers. This will provide an incentive for officers leaving active duty who possess skills that are critically short in the Selected Reserve and individuals with no

prior military experience who can fill junior officer shortages to join the Guard or Reserve. This would be the first bonus designed to fill the officer ranks in the Selected Reserve, other than bonuses for officers in the health professions, and will provide the Reserve components with a much needed recruiting tool that targets both experienced, trained, prior service officers and non-prior service individuals.

### **COMPENSATING GUARD AND RESERVE PERSONNEL**

As requested in the Senate report that accompanied the National Defense Authorization Act for Fiscal Year 2003, we examined compensation programs for Reserve component members. That report was recently sent to the Committees on Armed Services, and includes not only those items that the committees specifically requested, but also addresses areas of interest and concern to Reserve component members. The compensation system must support the current employment of the Reserve force and it must be flexible enough to respond to any emerging or future trends that result from the increased use of the Guard and Reserve. We strongly believe that pay and benefits must be focused on those members who are bearing the burden of mobilization and deployment, and that the Department must have the tools to respond quickly and decisively with a compensation and benefits package that supports our mobilized and deployed troops. There are many Guard and Reserve members who have been affected by the current mobilization and more will be affected in the future. The review that was conducted and the report that was forwarded to both Committees on Armed Services identifies some areas where action is required to ensure the equitable treatment of Reserve component members.

Some of the topics identified in the report have already been resolved with your assistance, such as lodging expenses for mobilized reservists when they are in a leave status, providing the



spouse of a reservist who dies while performing inactive duty training with an annuity, and authorizing hazardous duty pay for members who perform duty in the polar regions. We are also proposing legislation that would authorize an officer accession/affiliation bonus for service in the Selected Reserve and a provision to correct a flaw in the method that the high 36-month average is calculated for Reserve component members who are retired because of a disability. However, more is needed and we will continue to address those areas where reservists are disadvantaged by the compensation system, such as a different, generally lower, housing allowance for reservists on active duty for less than 140 days.

One area of continuing interest is the reserve retirement system. There have been a number of proposals that would lower the age at which reserve retirees would be able to begin drawing retired pay. While the Department is not opposed to making changes to the reserve retirement system, it is important to ensure that retirement reforms are consistent with the overall goals of reserve personnel management, maintain equity between active and reserve personnel, are cost-effective and contribute to improved force management.

Before undertaking a new reserve entitlement that imposes a large cost burden on the Department, the federal government and ultimately the taxpayers, we need to be assured that such a change is necessary and that it will not only benefit reserve retirees, but also ensure that we are able to maintain sufficient numbers of high quality reserve personnel with the requisite mix of skills and experience. Retirement benefits help shape the force, creating a reserve force with certain characteristics and a specific distribution of personnel by rank and years of service.

While we recognize that the frequency and length of deployments have increased over the past two years for a portion of the reserve force, maintaining equity in the DoD retirement system must consider such demands in conjunction with those of a full-time active duty career.

The readiness levels, frequency of deployments, permanent change of station moves, the impact on families, the reduced employment opportunities for spouses and the need to start a second career at an advanced age are just a few of the considerations in providing an immediate annuity for active duty force members who complete at least 20 years of active service.

Reducing the retirement age for reserve personnel, however, does not provide immediate compensation to those who are currently bearing the burden of mobilization and deployment. Only about 24 percent of Reserve component members in the force today will actually qualify for retirement. With an average Reserve component career of just over 10 years and the mean age of those who are mobilized at about 35, many who are actually bearing the burden of mobilization and deployment will never benefit from such changes.

RAND, which is in the second year of a study to develop a predictive model on the effects that possible changes to the reserve retirement system will have on recruiting and retention, has provided some preliminary views on the proposals that would lower eligibility for receipt of retired pay to age 55. They project that such a change would have very little effect on force management. RAND notes that the value of retirement benefits is heavily discounted by new recruits and junior reserve personnel. The result of such a change would cost the Department nearly \$7B over the next 10 years and the federal government over \$13.6B with no appreciable influence on force management since the immediate beneficiaries are almost exclusively those who have already made a retirement decision and are no longer serving. While the proposals to reduce the retirement age based on additional years of service may provide a more direct effect on retention, increased retention of our most senior members could inadvertently undermine retention of mid-grade personnel by limiting promotion opportunities.

The bottom line is that we must compensate our Guard and Reserve members fairly, ensuring comparability, that is, equal pay for equal work, for those who are currently sustaining the burdens of reserve service. Increasing the overall present value of reserve retirement will have little impact on recruiting and retention. However, increasing such lifetime entitlements can limit our ability to provide appropriate incentives for recently deployed and deploying personnel, to enhance force readiness and to improve force management.

### **HEALTH CARE ENHANCEMENTS**

Since the events of September 11, 2001, the Department has made a number of improvements in access to healthcare for the 319,193 Reserve component members mobilized through December 31, 2003, in support of the Global War on Terrorism and their dependents. First, TRICARE Prime has been made available to the families of reservists ordered to active duty for more than 30 days, a significant reduction from the previous 179-day threshold. At the same time, Reserve component eligibility for TRICARE Prime Remote has been expanded to include eligible family members who resided with the Reserve component member prior to mobilization and deployment.

The Department has continued the TRICARE Demonstration Project, approved by the Secretary, specifically to assist the families of mobilized Reservists with the transition to TRICARE. The demonstration project reduces out of pocket expenses for Reserve family members and makes it easier for them to maintain continuity of care with their existing healthcare providers. Under this ongoing project, the annual deductible (up to \$300 per family) for those members who do not or cannot enroll in TRICARE Prime is waived. Second, the requirement to obtain a non-availability statement to receive inpatient care outside a military

treatment facility is waived so Reserve family members can maintain continuity with their existing local providers, if they wish. Finally, the Department will pay up to 15% above TRICARE maximum allowable charges for family members receiving care from providers not participating in TRICARE and who bill in excess of TRICARE maximum allowable charges.

In addition to assisting the families of mobilizing and deploying Reserve component members, the Department is focused on ensuring and enhancing the medical readiness and deployability of reserve members. Reserve component dental readiness remains a challenge, although we have made considerable progress. DoD policy requires an annual dental examination for all active duty and Selected Reserve members. The TRICARE Dental Program (TDP) offers members a comprehensive dental option. A standard dental screening form has been approved by the Department for use by a Reservist's civilian dentist to assist the Reserve components in tracking the dental readiness of members.

Certain of the enhancements enacted in the National Defense Authorization Act for FY 2004 directly affect mobilized and mobilizing Reserve component members. The authority to provide medical and dental screening and necessary care for members who have been alerted for mobilization allows us to ensure members are fit for active duty, meet deployment standards, and are provided any necessary treatment when a deficiency is detected. In addition, Reserve component members may now be eligible for TRICARE upon receipt of a "delayed effective date active duty order" of greater than 30 days in support of a contingency or 90 days prior to mobilization whichever date is later. The period of transitional medical assistance for Reserve members separated from active duty of more than 30 days in support of a contingency operation—previously 60 or 120 days—has been extended to 180 days.



We intend to implement the provision that allows certain Reserve component members who are eligible for unemployment benefits or who are not covered by an employer-sponsored healthcare benefits plan to enroll in TRICARE. To assure effective implementation we propose a demonstration project to determine the impact of these benefits on Reserve medical readiness and Reserve component recruiting and retention.

Another area worth exploring may be how to expand the TRICARE provider network, since 52 percent of reservists don't live within a TRICARE catchment area. With a larger TRICARE provider network, the number of families that would have to change providers could be reduced, thus making the transition into and out of TRICARE much more transparent for reserve families.

Assuring the medical readiness of activated reserve members remains a priority, as is providing continuity of care for reserve families transitioning to active duty dependent status. However, it is important to proceed carefully when considering costly new entitlement programs. Any new permanent healthcare enhancements must consider their cost-effectiveness with respect to recruiting, retention and readiness benefits for the Reserve components.

### **FAMILY READINESS**

Taking care of our Guard and Reserve members and their families continues to be a top priority for the Department. We constantly are examining our policies and programs to ensure that our reservists do not feel disenfranchised and that we have systems in place that support their families. The partnership my office established with the DoD Office of Family Policy continues to reap dividends as every program and every initiative is examined from a total force perspective. We are making extensive use of technology to reach out to Guard and Reserve members and their families about their benefits and how to access them. And, we are continually looking for opportunities to improve and expand our outreach efforts to ensure Guard and

Reserve members and their families receive the support they richly deserve. A robust family support network is particularly critical when Guard and Reserve members are mobilized and deployed. While each component manages its own family program, there are many challenges that are common to all families regardless of the Service or component of the member. To bridge possible gaps between Service unique programs and common challenges, the Department has worked with the Services and their Reserve components to evolve family readiness and support programs to achieve Joint Service Total Force capabilities. The goal of this initiative is for any service member or family member to receive assistance and support at any family service activity, regardless of the member's Service or component affiliation. To accomplish this, we have found that it is valuable to bring together those responsible for family readiness planning, programming, managing, and implementing family programs from all Services and components at all levels. This is the only way we can truly achieve a Total Force perspective in providing family readiness training and services to enhance mission readiness. The Services and the OSD staff have embraced this approach and are working collaboratively to support our men and women in uniform and their families.

Family assistance center personnel and unit family support groups are on the front lines when it comes to assisting service members and their families. That is why the National Guard established 400 family assistance centers that service more than 400 communities in the States and Territories—to ensure there is local support not only for Guard members, but any service member and any family.

We have also taken positive actions to “get the word out” about entitlements and benefits available to the Reserve community, and how to access them. We know that information and communication are essential to Reserve families. We published a “Guide to Reserve Family

Member Benefits” which is designed to inform family members about military benefits and entitlements, including medical and dental care, commissary and exchange privileges, military pay and allowances, and reemployment rights of the service member—to name just a few of the topics covered. Additionally, we published a family readiness “tool kit” that is available to assist commanders, service members, family members and family program managers in preparing Guard and Reserve members and their families for mobilization, how to cope with deployment and how to handle redeployment/demobilization and family reunions. These events can be very stressful for the service member and the family, as they must adjust to each step in the mobilization, deployment, redeployment, demobilization and reunion process. These publications are available on the Reserve Affairs website, which can be accessed through DefenseLink.

We are constantly looking for opportunities to improve the support that our Guard and Reserve members and their families need and deserve. We expect the best from them and they should expect and get no less from us.

### **PERSONNEL AND PAY INFORMATION TECHNOLOGY**

We are all acutely aware that the existing personnel and pay systems are not necessarily compatible and do not support our human resources objectives for the 21<sup>st</sup> century. We need a system that provides a single source for personnel and pay management of service members throughout their career, regardless of service, component or duty status. The Defense Integrated Military Human Resource System (DIMHRS) will provide the Department with the capability to effectively manage service members across the full operational spectrum—during peacetime and war, capturing accurate and timely data as members move between duty statuses to include

mobilization and demobilization. The system will support the full range of personnel life-cycle activities from accession through separation or retirement. Key functions include ensuring proper pay and benefits, tracking personnel in theater, and transferring individuals to other Services or components.

DIMHRS is scheduled to be fielded in the Army starting during the first quarter of FY-06 and be fully operational in all Services by the end of FY07. But any problems we are experiencing in paying our mobilized Guard and Reserve members must be addressed now. The Defense Finance and Accounting Service (DFAS)—recognizing that the current Defense Joint Military Pay System (DJMS) is aging, limiting the responsiveness, efficiency, and high quality customer Service that our members deserve—is developing an interim system called Forward Compatible Military Pay or FCP. Forward Compatible Pay will be a bridge to correct the problems currently being encountered by our mobilized reservists until DIMHRS is fully implemented. Implementation of FCP will begin no later than March 2005 and be completed by March 2006. While we would like to have the system in place today, we can all appreciate the complexity of launching a new system, even an interim one, and I would like to acknowledge DFAS for taking on this initiative.

#### **EMPLOYER SUPPORT OF THE GUARD AND RESERVE**

Employer support for employee participation in the National Guard and Reserve remains an area of great concern. Employer support is absolutely critical to recruiting and retaining quality men and women for our Reserve component forces. Building employer support requires a strong network comprised of both military and civilian-employer leaders, capable of fostering



communication, education and an exchange of information. Employers' understanding of their legal requirements concerning support for Guard and Reserve employees is imperative.

The National Committee for Employer Support of the Guard and Reserve (ESGR) is the Department's primary office for outreach and education to employers. ESGR coordinates, trains, funds and directs the efforts of a community based national network of over 4,200 volunteers, organized into 55 committees located in every state, the District of Columbia, Guam, Puerto Rico, the Virgin Islands and in Europe. ESGR has developed and implemented new training programs for their volunteers, planned new industry symposia to bring together industry segments with military and Department leaders, expanded their presence at industry conferences, and further developed and enhanced their partnerships with the National, state and local Chambers of Commerce, and local and national human resource organizations.

Although we established a Guard and Reserve Employer Database in late 2001 in which reservists could voluntarily provide information about their civilian employers, we were having limited success in populating the database. However, information about the civilian employers of reservists is necessary for the Department to meet its statutory responsibilities to consider... "civilian employment necessary to maintain national health, safety, or interest" (10 USC, Sec. 12302) ... when determining members to be recalled, especially members with critical civilian skills, and to inform employers of reservists concerning their rights and responsibilities under the Uniformed Services Employment and Reemployment Rights Act.

Last year, we began laying the groundwork for a mandatory reporting program. That effort will culminate with the rollout of a new Civilian Employment Information (CEI) Program by late spring of this year. Under the CEI program, reservists will be required to provide information about their employers. We have been working closely with the Services and the

Reserve components in the development of this program to ensure we protect the privacy of reservists with respect to the use of this information about their civilian employers. For example, we would not directly contact an employer about an individual reservist unless the reservist asked for our assistance with an employer issue. But we could work with an employer as part of our broader outreach efforts to inform all employers about the Guard and Reserve.

Populating the Guard and Reserve Employer Data Base is critical in order to clearly focus employer outreach efforts. It will enable us to work closely with the civilian employers who are directly affected by the mobilization of reservists. The use of this program will also assist in other research projects we have undertaken to determine if and when significant problems with employers are emerging. Understanding the challenges civilian employers must address will help us identify steps we can take that will be most beneficial to them—strengthening our employer support program and making service in the Guard and Reserve easier for our members.

In addition to these efforts, other major initiatives include:

- Determining employer attitudes through surveys.
- Developing personal relationships with employers.
- Supplying systems to create ESGR volunteer manpower efficiencies.
- Developing follow-up processes to sustain employer support.
- Providing support at all mobilization and demobilization locations.

The tens of thousands of man-hours from the ESGR volunteers each year determines the success of the program as measured by the employer's understanding of their role in the Nation's defense, as well as their continued strong support of their National Guard and Reserve employees. Those volunteer efforts are true patriotism at work!

**CIVIL MILITARY PROGRAMS**

In support of the President's call for Americans to serve, the Department continues to fund two youth outreach programs, Challenge and STARBASE. Both programs help improve the lives of children by surrounding them with positive civilian and military role models and helping them not just dream big dreams, but achieve them. The budget request for FY 2005 is \$66.1M for Challenge and \$15.1M for STARBASE.

Operating in 24 states, the Challenge program has successfully given young high school dropouts the life skills, tools and guidance they need to be productive citizens. The STARBASE program, operating at 48 military facilities located in 29 states, the District of Columbia and Puerto Rico, has enhanced military-civilian community relations and reached approximately 350,000 young children. Active and Reserve component members volunteer their time to the STARBASE program in order to provide a military environment/setting in which local community youth, especially the disadvantaged, are provided training and hands-on opportunities to learn and apply mathematics, science, teamwork, technology, and life skills. These two successful DoD outreach programs were identified in support of the USA Freedom Corps effort to provide opportunities for Americans to become more involved with serving their communities.

The third Civil Military program is the Innovative Readiness Training (IRT) program. IRT is similar to the overseas deployment exercise program in that it provides valuable military training that is compatible with mission essential training requirements. IRT projects help address serious community needs within the 50 states, U.S. territories and possessions. The program is a partnership effort between local communities and Active and Reserve component units. Individuals and units involved are primarily from medical, dental, and engineering career fields.

All IRT projects are compatible with mission essential training requirements. IRT projects must be conducted without a significant increase in the cost of normal training and are designed to enhance training in real world scenarios without deploying overseas. Program expenditures for FY 2004 are \$24.7 million. The budget request for FY 2005 is \$20.0 million.

## **EQUIPMENT AND FACILITY READINESS**

### **National Guard and Reserve Equipment**

The FY 2005 budget includes \$1.6 billion to procure needed equipment for the Reserve components (RCs). In the past, the RCs relied on cascaded equipment from the Active components (AC) to help the shortfalls, however, given the fact that the majority of the support functions are in the RCs, there is little equipment available to flow from the AC. In addition, the equipment that has been recently deployed from both the AC and RC has been exposed to extreme heat and a very sandy environment that is taking its toll on engines, generators, compressors, etc. The normal peacetime usage rate for ground equipment is 3 to 4 thousand miles a year and in the wartime environment it is currently being used 3 to 4 thousand miles a month, a 12 fold increase. With the combination of these two major factors, the life of the equipment is being shortened dramatically from what was programmed in peacetime. We are convinced that only by modernizing the equipment of our Reserve forces will the Department reap the full potential of a capabilities based force in the future. Key equipment items planned for the RCs included in the FY 2005 President's Budget request are:

- **Army National Guard and the Army Reserve:** Global Air Traffic Management, aircraft modifications, air traffic control, HMMWV, Family of Medium Tactical Vehicles



(FMTV), Family of Heavy Tactical Vehicles (FHTV), float ribbon bridges, tactical bridging, generators, and MLRS launcher systems.

- Air National Guard and Air Force Reserve: Aircraft modifications for the F-16, C-5, C-130, KC-135 and HH-60, common aircraft support equipment, tactical communications – electronics equipment, and base information and communications infrastructure.
- Naval Reserve: C-40 aircraft, tactical vehicles, aircraft modifications for the C-130, H-53, adversary, and C4ISR equipment.
- Marine Corps Reserve: High mobility artillery rocket system, night vision equipment, and amphibious assault vehicle.

### **NATIONAL GUARD AND RESERVE FACILITIES**

#### **Military Construction**

The FY 2005 military construction investment for new facilities affecting all Reserve components is \$590 million and represents approximately 6.2 percent of the Departments overall Military Construction and Family Housing requests of \$9.4 billion. The President's Budget request provides new Armed Forces Reserve Centers, vehicle maintenance facilities, organizational maintenance shops, and aircraft maintenance facilities for the Reserve component missions. These new facilities begin to address the needed replacement of the Reserve components' infrastructure in support of military transformation programs. The FY 2005 budget request continues the Department's efforts to improve the quality of life for the Guard and Reserve which for the Reservist is not normally housing and barracks but rather where they work and train.

### **Sustainment, Restoration, and Modernization**

The Reserve components' FY 2005 facility sustainment, restoration, and modernization (SRM) request is approximately \$950 million. The Department continues its commitment toward restoring and modernizing existing facilities. The Reserve components were allocated 95% of their requirements. The recapitalization rate will be continually reviewed to meet the 2008 goal of a 67 year rate. The FY 2005 request reflects a concerted effort by the Department to reduce the SRM backlog and improve the Guard and Reserve facility readiness rating.

### **Environmental Program**

The installation environmental programs managed by each Reserve component continue to be a good news story of professionalism and outstanding efforts to protect, preserve, and enhance the properties entrusted to the Reserve forces. The FY 2005 environmental programs are budgeted at \$253.6 million, which includes \$125.2 million for environmental compliance requirements that provide 75 percent of the overall validated Reserve and National Guard environmental requirements for FY 2004.

### **Joint Construction Initiatives**

The Reserve components are at the forefront of creating innovative ways to manage scarce MILCON dollars. They continue to pursue land exchanges and joint construction, wherever practicable. Joint construction is the practice of building one consolidated facility that fills the needs of two or more components. If we are to organize as a capabilities-based force, then our infrastructure should be designed to support that concept, also. Jointly constructing facilities of similar functions and eliminating the need for multiple buildings in the same geographic area helps to transform our infrastructure toward operational capabilities and efficiencies. The savings and benefits of joint construction go far beyond concepts. Intuitively, most would agree

one building costs less than two of similar size and function, but the benefits extend to reductions in force protection, sustainment dollars, contracting costs, and cross-service cultural understandings.

I thank the Congress for their support of this effort and will continue pursuing more land exchanges and joint construction opportunities in the future.

#### **LEGISLATIVE INITIATIVES INCLUDED IN THE OMNIBUS SUBMISSION**

Sec. 402. New title for the Vice-Chief of the National Guard Bureau.

Sec. 411. End strengths for Selected Reserve.

Sec. 412. End strengths for Reserves on active duty in support of the reserves.

Sec. 413. End strengths for military technicians (dual status).

Sec. 414. Fiscal year 2005 limitation on number of non-dual status technicians.

Sec. 415. Special rule for computing the high-36 month average for Reserve component members.

Sec. 509. Length of terms for the Assistants to the Chairman of the Joint Chiefs of Staff for National Guard and Reserve Matters.

Sec. 521 Revised concept of inactive duty and repeal of funeral honors duty.

Sec. 522. Authorized strengths of Navy and Marine Corps reserve flag and general officers.

Sec. 523. Mandatory retention on active duty to qualify for retirement pay

Sec. 524. Amendment to the purpose of the reserve components.

Sec. 525. Accounting and management of National Guard and reserve personnel performing active or full-time duty.

- Sec. 526. Waive requirement that reserve chiefs and National Guard directors must have significant joint duty experience.
- Sec. 527. Extending age limits for reserve and National Guard general and flag officers.
- Sec. 528. Expanded use of reserve component members to perform developmental testing and new equipment
- Sec. 581. Release of taxpayer addresses to help locate individuals with military service obligations.
- Sec. 582. Alternate initial military service obligation for persons with specialized skills.
- Sec. 583. Basic training requirement for certain members with specialized skills.
- Sec. 611. One-year extension of certain bonus and special pays for reserve forces.
- Sec. 612. Bonus for officers to serve in the Selected Reserve in a critical skill or manpower shortage.
- Sec. 905. Chain of succession for the Chief, National Guard Bureau.
- Sec. 1042. Establishment of auxiliaries within the military departments.
- Sec. ??? Improved involuntary access to Reserve component members for enhanced training
- Sec. ??? Extension of payment for FEHBP for mobilized federal employees.



**CONCLUSION**

This Administration views a mission-ready National Guard and Reserve as a critical element of our National Security Strategy. As a result, our Reserve components will continue to play an expanded role in all facets of the Total Force. While we ask our people to do more, we must never lose sight of the need to balance their commitment to country with their commitment to family and to their civilian employer. That is why rebalancing of the force is so critical, the continuum of service is so crucial, and relieving the stress on the force is absolutely essential.

Thank you very much for this opportunity to testify on behalf of the greatest Guard and Reserve force in the world.

# **NATIONAL GUARD 2005 POSTURE STATEMENT**

## ***PROTECTING AMERICA AT HOME AND ABROAD***

### **IN MEMORIAM**

**A Dedication to the men and women of the Army and the Air National Guard who made the ultimate sacrifice while serving the United States of America.**

**Lieutenant General H Steven Blum, Chief**  
***National Guard Bureau***

### **Overview**

At no time in our history has America depended more on its Citizen-Soldiers. The strength of our National Guard, as always, is derived from the caliber of our Soldiers and Airmen. When we think about what our nation asks these young Citizen-Soldiers and Airmen to do for their communities, their states, and their nation, and how magnificently they have performed here at home and abroad, our hearts are filled with pride.

Our priorities and our vision focuses on leveraging the talents, the abilities, the selfless commitment and the enthusiasm of these Soldiers and Airmen. As Chief of the National Guard Bureau, my mission is to ensure that they receive the latest training, complete and modern equipment, and an organizational and command structure worthy of their mission and their service.

The National Guard will remain, first and foremost, a provider of ready, trained, and equipped warfighting units to combatant commanders through the Army and the Air Force. Notably, the Guard has always been, throughout its history, a force that spanned the continuum of what we define today as "Homeland Security," "Homeland Defense," and "Warfighting." September 11, 2001 has refocused us on our fundamental responsibility to defend the homeland—the original mission of the militia—and revealed the present day efficacy that the founders understood so well—that a citizen-based militia is the best force to protect the citizenry from which it is drawn.

The Guard is uniquely suited, like no other entity in the Defense Department, or indeed in the entire nation, to carry out that mission. No other organization has our combination of size, skills, training and experience, dispersion across the nation, command and communications infrastructure, and the legal flexibility to support civil authorities at a moment's notice. In nearly 3,000 communities around the nation, the Guard stands ready today—as it has since Jamestown was settled nearly 400 years ago.

## **Support the War Fight**

### ***Anytime, Anywhere***

We, the Guard, must provide the kind of forces that America needs, when America needs them.

One of Secretary Rumsfeld's key mandates to the Services is to find ways to make the National Guard more ready and accessible in its federal warfighting role. Working in conjunction with the Army and Joint Forces Command, our goal is to dramatically improve the current mobilization and demobilization process. Under current guidelines, it can take several weeks to months to prepare an Army National Guard unit to mobilize and deploy—compared to the Air Guard model where units deploy in a matter of hours or days.

We need to study and adapt the Air Guard model where possible.

We are working with the Army to change its go-to-war protocols. It is no longer practical to follow cold war regimens of train, alert, mobilize, train, certify, deploy. We must move to train, alert, deploy. By updating home station facilities, taking advantage of new technologies, and funding units at a higher level of readiness, we hope to create a new 21st century minuteman. The Guard must and will continue to operate across the full spectrum of national security missions. But, new asymmetrical threats call for a different kind of warfighter and different mission systems. We need to be smarter, lighter, more agile, and more lethal.

The National Guard force structure does not stand alone unto itself, but rather represents a 38 percent slice of the total Army and approximately 34 percent of the total Air Force. As ongoing operations abroad reveal the need to rebalance the types of units in the Army and the Air Force, the Guard will be a leader in embracing this change. Likewise, if studies indicate that Army divisions or Air Force wings are no longer needed, it is our view that we, like the active component and reserves, must change. We are working closely with the Army as we move to a balanced, modular force. Similarly, through Vanguard, we are working with the Air Force to meet the aerospace needs of the future.

## **Homeland Defense**

### ***Here and Abroad for over 365 Years***

We are this country's longest lasting, longest serving military organization; we predate our nation. Today, the National Guard is ready to write a brand new page in its long and heroic history, and get the mission accomplished.

When you call out the National Guard, you call out America's joint home team.

The Guard was there when it was needed, demonstrating the flexible accessibility inherent in the unique multi-status roles of the Guard. Our Homeland Defense and Security roles mandate that we be capable of seamlessly operating in federal and state intergovernmental and interagency roles. September 11th and its aftermath are illustrative of the Guard's new operating environment and its unique flexibility to respond to our nation's needs.

Within 24 hours of the attack on the World Trade Center, 8,500 New York Army and Air National Guardmembers were on the streets of New York in State Active Duty status. Within 72

hours of President Bush's request to the Governors, Guardmembers were assisting civil authorities in protecting U.S. airports (USC Title 32 status). As security of our skies became paramount after September 11th, the Air National Guard logged more than 30,000 incident free, fully armed combat air patrol missions (USC Title 10 status) over the United States.

Congress funded the formation of joint Weapons of Mass Destruction Civil Support Teams within the National Guard beginning in 1999. These units were designed to provide direct assistance to civilian emergency responders in the event of a chemical, biological, nuclear or radiological attack upon the homeland. Few in numbers and still in their operational infancy in 2001, nevertheless it was one of these units—New York's 2nd Civil Support Team—that became the first organized unit of any military service or component to arrive on Ground Zero on the morning of September 11th, sampling the air to ensure that no biological or chemical contaminants were present.

Since September 11th, National Guard Weapons of Mass Destruction Civil Support Teams operate daily in communities throughout the nation. They are in a unique position to provide emergency community response with full communications capability to the local, state and federal levels. Moreover, they are actively involved in planning and integration of Guard assets in local and state emergency plans.

Currently, we have 32 fully certified Weapons of Mass Destruction Civil Support Teams. Congress recognized the urgent need to expand that number, and 23 teams are scheduled to stand up in the next four years, beginning with 12 this year alone. The Guard has initiated several dramatic new programs that will further increase and improve our Homeland Defense capability, while at the same time enhancing our ability as warfighters.

We are actively pursuing the following initiatives:

- Organizing 12 Enhanced Response Force Packages. These forces will consist of a National Guard Civil Support Team, an enhanced division medical company with a 150-person per hour decontamination and treatment capability, an enhanced engineer company with specialized search and recovery equipment, and a task-trained combat unit capable of supporting law enforcement. These force packages will meet a previously identified Northern Command request for capabilities.
- Expanding National Guard involvement in Ground-based Mid-course Missile Defense, Cyber and Information Operations, Space, and Intelligence Operations for both the Army and Air Guard. One model we hope to emulate is the Guard's highly successful experience in manning Nike missile batteries in the 1960s and 1970s. At that time, traditional and full-time Guardsmen served together in units under State control, with self-activating orders that automatically brought them into a Federal status when the enemy attacked.
- Creating National Guard Reaction Forces through dual missioning and training of existing units. These units will be immediately available to State and Federal governments and for Homeland Security purposes. They are already forward deployed throughout the United States. The units will retain full war fight and homeland security capabilities. These forces will also meet a previously identified Northern Command request for forces requirement.



We are expanding our interagency and intergovernmental efforts and look forward to increased cooperation between the National Guard, the states and the Departments of Homeland Security and Defense. We are participating in exercises and planning at state and local levels, and we have shared our Automated Exercise and Assessment System with them. We are working with the national emergency responder and management associations as well.

The National Guard has a significant number of units capable of “dual-use”—that is to say, the combat skill sets in these units are directly applicable to peacetime domestic support operations. We have developed a force management model that will help us to ensure that sufficient appropriate forces, properly resourced are available to the Governors for State, Homeland Defense and support to Homeland Security missions.

We will leverage the units, training and resources in our existing war fight capabilities to expand and enhance the roles we can perform in homeland security. We will make smarter use of force structure and make minor modifications to mission essential task lists to geometrically increase capabilities. We will provide homeland defense capabilities in force packages, built from standardized warfighting units. By doing this in our role as a state military force, we will raise the threshold at which commitment of federal military resources to non-warfighting tasks becomes necessary.

## **Transformation for the 21st Century**

### ***Relevant, Reliable, Ready and Accessible***

Transformation is a state of mind. It is about how we think, organize and approach the future. We are transforming our headquarters and our capabilities to shape our future. We reorganized the National Guard Bureau from three separate organizations into a joint organization effective July 1, 2003. We streamlined and flattened the organization, making it more efficient, capable, and aligned its staff functions and responsibilities with those of the Joint Staff and the combatant commanders.

We have undertaken aggressive employer and family programs. The three-legged stool of the Guard and Reserve—Service member, family, and employer—is only as sturdy as the weakest leg. We are talking with the nation’s major employers and the states are aggressively doing the same with employers in their area. Our family program was the model on which the entire Department of Defense program was based, and we continue to work to address the information, emotional and support needs of our families. To that end, I have authorized a position in each state to specifically deal with employer support.

The State Adjutants General consolidated 162 State headquarters organizations into 54 doctrinally aligned Standing Joint Force Headquarters—creating, effective in October 2003, a single joint force headquarters in each state for all Army and Air Guard activities. This will ensure a rapid and coordinated response to any emergency, making the National Guard more versatile, relevant, and able to meet our national security challenges.

Our joint team will become seamless with the other five services—the Army, Navy, Air Force, Marine Corps, and the Coast Guard—and their reserve components as well. It will be capable of meeting active component requirements and serving as an integrator for active component and

reserve component consequence management operations. Together with our sister services, we will fight and win this war on terrorism both here at home and abroad.

Readiness is a product of resources and training. We must focus our training on the myriad missions we will be asked to perform, and we—the National Guard Bureau—must obtain the resources necessary for the Soldiers and Airmen to accomplish the mission.

Some of the changes contemplated will require the cooperation of Congress in amending existing law.

Because of its increased relevance, the National Guard Bureau should be organized so that the senior officer of the Army and the Air National Guard of the United States on duty with the National Guard Bureau should become the Acting Chief if the office is vacant or if the Chief is absent or disabled. This change is necessary because of the elevation of the Directors of the Army and Air National Guard to Lieutenant General, without a concomitant promotion of the Vice Chief of the National Guard Bureau. Similarly, the Vice Chief of the National Guard Bureau should become the Director of the Joint Staff of the National Guard Bureau. This designation reflects the roles and functions of this individual within the National Guard Bureau's joint organization.

## Conclusion

We are transforming the Guard in all domains—the way we fight, the way we do business, and the way we work with others—to provide the Guard America needs today and tomorrow.

Training must produce enhanced readiness, immediate accessibility, and individual and unit capability to conduct operations at home and abroad.

We have approached our transformation in an open, collegial manner, talking with all affected stakeholders including the Governors and working as a team—Adjutants General, National Guard Bureau, Army, Air Force, Office of the Secretary of Defense, the Joint Staff and others—to do what is right for America.

As we look forward to the new fiscal year, the National Guard is enthusiastically engaged in planning, programming, and executing the extraordinary changes that are ahead. We are evolving in ways that will allow us to accomplish our state and federal missions more efficiently than ever before, as we design mechanisms to seamlessly operate in the Defense Department, interagency, and intergovernmental environments.

The National Guard will continue to defend our nation, both at home and abroad, in both its state and federal capacities, as it has for 367 years. It will continue to serve as the reserve component without peer in the world. This is our birthright—it is the legacy of the Minuteman.

**Lieutenant General Roger C. Schultz, Director**  
*Army National Guard*

## Overview

The Army National Guard stands with the Active Component as we wage war against the purveyors of global terrorism. Today, Soldiers in the Army National Guard have answered the call of the nation and are serving across the nation and the world. The Army National Guard, as an integral part of the U.S. Army, is transforming itself to better prosecute the Global War on Terrorism while remaining a ready and relevant force that is prepared to defend our homeland.

The Posture Statement provides the Army National Guard an opportunity to share with Congress what we have done in the past year and where we are heading in the future. The Army Directorate in the National Guard Bureau is responsible for how the Army National Guard supports the Soldiers, their families, and their employers in communities throughout the United States. Our Soldiers come from every state, territory, and segment of society, and we recognize that we support and are supported by those around us. The Army National Guard is a community-based military organization and, as such, we are prepared to assist our cities and towns in times of natural or man-made disaster. Army National Guard Soldiers are Citizen-Soldiers, and we recognize that we must fulfill dual roles as ordinary citizens and as members of the Armed Forces of the United States.

As the Army National Guard continues to protect our nation, the Chief, National Guard Bureau, has identified three priorities for the Army National Guard that will nurture this responsibility: Support the War Fight, Homeland Defense, and Transformation for the 21st Century. As our enemies seek ways to wage their war of terrorism in the United States and around the world, we are and must remain ready. The Army National Guard has proven itself capable of securing our borders while simultaneously carrying out a variety of missions across the globe. Our goals are to maximize our ability to support our Soldiers, protect our nation, and support the warfighters by providing a trained and ready force.

It cannot be stressed enough that the Army National Guard has an increased and more vital role in the U.S. Army than ever before. The U.S. Army is at the forefront of the conflict in Afghanistan and Iraq. As Reserve Components of the Army continue to deploy at increasing rates, the Army National Guard joins the Army in its objectives to remain ready and relevant in the midst of a war where our enemy is elusive. We are transforming ourselves into a more flexible, responsive, and capabilities-based force that is able to seamlessly integrate into the larger Army. As the Army transforms itself from the Current Force to the Future Force, so will the Army National Guard.

The Army National Guard is ready for every challenge both here at home and abroad. We are not and cannot be complacent. The support we receive from our citizens, families, employers, and legislatures is invaluable. Our Constitution charges us to defend America, and we will do this with the same dedication and steadfast purpose as we have done for nearly 400 years.

## Support the War Fight

### *The Guard Overseas*

Not since World War II have so many Soldiers been activated for wars. The Army National Guard demonstrated its responsiveness by providing ready units in support of numerous overseas

missions throughout 2003. These missions ranged from combat operations to Post-Hostility and Stability Operations. At the close of the year, 75,000 National Guardsmen were on active duty serving overseas. The year began with our Soldiers fighting in Afghanistan and ended with Soldiers from the Vermont and Oklahoma National Guard training the Afghanistan National Army. There are just over 4,000 Soldiers in Afghanistan today. The war in Iraq required the activation of 69,380 Soldiers and there are just under 60,000 serving there today. The war in Iraq and in Afghanistan exacted a toll on our most precious resource, the Soldier. Understandably and regrettably there have been 60 Soldiers who have lost their lives fighting these two campaigns. The war in Iraq saw the activation of brigade size units, Attack Aviation Battalions, Combat Engineers, and Military Police. The Army has plans to schedule several more brigades and potentially a Division Headquarters for future rotations. Most Soldiers that were activated for the war served an average of 18 months, with 12 months of duty in Iraq. Related to the two overseas wars has been a demand on our Military Police units to guard the enemy Prisoners of War in Cuba. In addition to the direct role in the overseas wars, the National Guard remains the Army's primary force conducting operations in Kosovo, Bosnia, and the Sinai. Just under 6,000 National Guardsmen are there today. What were once active duty missions are now principally missions of the Guard.

There are two other noteworthy events for the Guard's overseas duty. The Army National Guard was given the mission to protect ships in transit to the Persian Gulf, and we also provided 9,000 Soldiers to the Air Force to protect their bases abroad and at home. These unplanned missions simply demonstrate the accessibility, reliability, and capability of the National Guard. Our overseas presence today is supporting missions on five continents, and the future demands a level of commitment similar to previous years. Not since World War II has our call to duty been so great. It is important to note that our total commitment since 9/11 has been a call to federal duty for 175,734 Soldiers. That represents just over 50 percent of our force of 350,000.

### ***Readiness of the Force***

Well before the attacks of September 11th, Army National Guard units were being mobilized more frequently. The Total Force Policy in the Army worked. During the Cold War period of our Army, the expectation of readiness for the Reserve Components was to be "generally ready for war." There were plans with TPFDDs and windows of time for expected deployment. The plan was to move to an active duty installation and then provide units with additional equipment and extra training. Since 9/11, that level of readiness and window of time have changed. Today our units are required to deploy at the highest level of readiness, and the time from notification to deployment is sometimes a matter of hours. In 2003, our units did extensive exchanging of Soldiers and equipment as they prepared for war in Iraq. We demonstrated flexibility, but placed unnecessary hardships on our Soldiers in the process. Soldiers went to war with equipment they had not previously trained upon. Thousands went to war with units other than their own. This method of exchanging resources after a unit mobilizes is not conducive to long-term success. Units must be manned, trained, and equipped before they get the call to go to war. Train—Mobilize—Deploy! The Army National Guard's level of readiness in the future should be *C1*, the highest level. The Army National Guard must modernize when the Army modernizes. We must raise the Full-Time Manning levels to *100 percent* of Requirements. Our failure to resource Army National Guard units for any mission will place undue hardship on Soldiers as they go to war.



## ***Medical and Dental Readiness***

The Army and the Army National Guard have a vested interest in the care of Soldiers. The Army requires physical fitness prior to deploying to a war. Today's deployment timelines are shorter, and there have been some delays in our ability to respond to war because of the medical readiness of our Soldiers. Most, but not all, Soldiers have medical and dental plans. There are limits on the Army's ability to fix medical shortcomings after the Soldier is mobilized for war. We have experienced medical backlogs at some of the Army's installations responsible for providing medical treatment.

The future of medical readiness rests in providing complete medical evaluations prior to being alerted for war. We envision that each of our State's Joint Force Headquarters provide support in the initial care for Soldiers and refer Soldiers for medical support beyond their capacity.

The National Guard plans to provide periodic physicals to its Soldiers. This will enable our units to transition faster from a state of peace to war. We also envision leveraging the medical capabilities of our communities to offset the shortages in military medical providers. Medical readiness and health care for our Soldiers are key variants to our ability to train, mobilize, and deploy in the fashion of a Minuteman.

## ***Training Soldiers and Growing Leaders***

Supporting the Warfighter will be best accomplished by training the force with an integrated training strategy for individuals, leaders, and units through live, virtual, and constructive training.

Throughout 2003, the Army National Guard prepared units and Soldiers for wars and responded to the nation's call for contingency operations. Our units trained at the Army National Guard Training Centers and the Army's Combat Training Centers. They participated in joint exercises and conducted training deployments overseas.

The key to training Brigades is to have them participate in the Brigade Command and Battle Staff training. Five brigades participated in this training in 2003. Seven of the eight Army National Guard divisions participated in the Battle Command Training Program at the Joint Readiness Training Center at Fort Polk in Louisiana in 2003.

The Army National Guard is committed to producing the best Soldiers. An excellent training venue is the Army National Guard training centers. These centers train Soldiers, simulate real-world conditions, and provide training enablers for the commanders.

Another way the Army National Guard achieves training excellence is through Distributed Learning. The Army National Guard's emphasis on Distributed Learning reduces the time Soldiers are away from their home stations, eliminates excess travel time and costs, and takes less time than training in a formal school setting. The goal of this program is to maximize training time by providing more local access to training and education at any time and at any location.

The Army National Guard's limited training time, training dollars, and sometimes access to training ranges has generated an increased reliance on low-cost, small-footprint training

technologies. We have invested in a virtual training infrastructure to meet or exceed the Army's training requirements. As more missions such as homeland defense and weapons of mass destruction are required of the National Guard, the ability of our forces to respond requires that we are ready at all times. The following new virtual technologies are tools critical to achieving these readiness objectives:

- *Advanced Bradley Full Crew Interactive Skills Trainer*

The Bradley Fighting Vehicle, an armored personnel carrier, is the primary weapon system of the U.S. Army Mechanized Infantry, as well as a critical system for the cavalry. The current force structure plans have the Army National Guard providing more than half of the U.S. military's Bradley Fighting Vehicle force. The Army Infantry School approved the Advanced Bradley Full Crew Interactive Skills Trainer as a precision gunnery trainer. This is a low-cost, deployable training system that attaches directly to the Bradley and therefore does not require a simulated vehicle mockup, thereby better preparing the crew for live fire gunnery.

- *Abrams Full Crew Interactive Skills Trainer*

The Army National Guard provides 54 percent of the armor force in the U.S. military. This equates to nearly 2,500 Abrams tanks with the vast majority being the M1A1 configuration. The Abrams Full Crew Interactive Skills Trainer is approved by U.S. Army Armor School as a precision gunnery trainer. This, too, is a low-cost, deployable training system that attaches directly to the Abrams tank and therefore does not require a simulated vehicle mockup, thereby better preparing the crew for live fire gunnery.

- *Simulations Network Rehost*

In the mid-1980s, the Defense Advanced Research Projects Agency developed a new concept in simulation training called the Network. The goal of this trainer is to expose mounted combat forces to mock battles in an effort to develop tactical maneuver skills and improve situation awareness of commanders. This program provides a highly cost-effective means of providing basic tactical platoon-level training capability to a highly dispersed force. The Simulations Network units are platoon sets for the Abrams Main Battle Tank and the Bradley Fighting Vehicles. The National Guard's force structure accounts for approximately 50 percent of these mounted combat forces.

- *Table Top Trainers (M1A1 and M2)*

The Table Top Trainer program is the linchpin of the National Guard's virtual training strategy. The ammunition and operational tempo cost to train this fleet exceeds \$1 billion annually. The virtual training systems have been introduced to offset costs that were even higher in previous years. A single low-fidelity Table Top Trainer can be reconfigured to supply 60 to 70 percent of the associated skills training for Abrams Tanks, Bradley Fighting Vehicles, and Stryker Light Armor Vehicles. The remaining skills tasks can be trained in the available 25 percent training time in the high-fidelity trainers or through live fire events.

### ***Combat Training Centers and National Training Center***

In 2003, the Army National Guard sent over 28,000 Soldiers to participate in training at the Army's two Combat Training Centers. This training program cost \$23 million but produced the most significant increase to training readiness for those units and Soldiers.

North Carolina's 30th Brigade formed the core of a 34-unit, 15-state task force comprising the 5,545 Army National Guard Soldiers who deployed to the National Training Center at Fort Irwin, California, in May and June 2003. This training rotation was the culminating exercise in an intensive four-year train-up. The North Carolina Joint Force Headquarters formed Task Force Tar Heel that served as the division headquarters throughout the train-up and at the National Training Center. The 30th and North Carolina's Joint Force Headquarters executed wartime mobilization tasks by deploying the entire task force's equipment and personnel from facilities across the country to Fort Irwin's desert environment.

During 2003, additional Engineer, Field Artillery, and Infantry units representing 3,732 Soldiers deployed to the National Training Center in support of Active Component rotations. These units served both as friendly and opposing force units integrated side by side with their active military counterparts. An additional 1,123 Soldiers assigned to Direct Support and General Support Maintenance Companies were sent to Fort Irwin to supplement maintenance and reconstitution operations.

### ***Joint Readiness Training Center***

In 2003, the majority of Florida's 53rd Brigade was mobilized and deployed to Iraq. In preparation for this mission, they underwent training at the Joint Readiness Training Center. While there, they supported the training of the 10th Mountain Division, 7th Special Forces Group, and the 3rd Brigade (Stryker), 2nd Infantry Division.

### ***Combined Arms Center***

Through the Army National Guard's Battle Command Training Center, the U.S. Army's Combined Arms Center at Fort Leavenworth, Kansas, supported the 29th Infantry Division and 49th Armored Division during their Battle Command Training Program rotation in 2003. The training center also conducted twelve Brigade Command and Battle Staff Training Program seminars. Over 15,500 Army National Guard Soldiers participated in these training events.

### ***Force-on-Force Training***

The Army National Guard Force-on-Force Training Program supports the readiness of the National Guard's ground combat units. This program simulates battles that are fought using laser-targeting systems to replicate live ammunition. Some 2,080 Soldiers from Army National Guard divisions participated in Force-on-Force events in 2003.

In 2003, Army National Guard brigades participated in Battle Command Training Program staff exchanges, train-up exercises at the Combat Training Centers, and gunnery and divisional artillery training. A total of 30,034 Army National Guard Soldiers, 8 percent of the Army

National Guard's endstrength, conducted training at or in association with the Army's training facilities at a cost of approximately \$26 million. The payoff of this relationship is obvious. Three of these brigades, the 30th, the 39th, and the 81st were directed to prepare for war in Iraq. They will deploy there early in 2004.

### ***Recruiting and Retention***

The Army National Guard ended 2003 with 1,091 Soldiers above its endstrength goal of 350,000, a result of surpassing retention goals and retaining quality Soldiers. Despite the unprecedented challenges at home and abroad, the Army National Guard validated the three-tenet Strength Maintenance philosophy of recruiting, attrition management, and retention. The "Oath to Expiration of Term of Service" philosophy has helped to create a partnership with the units by building greater trust and cooperation between the recruiting force, the full-time support force, and unit leadership. The Army National Guard has developed numerous tools to ensure continued success:

- Highly successful advertising campaigns and recruiting initiatives that integrate the recruiting and retention force with traditional unit members.
- Dynamic recruiting and retention programs to highlight the relevance, features, and benefits of Army National Guard service to current and potential Soldiers.
- Soldier and family member feedback programs that assess unit environments and determine Soldier motivations for joining and remaining in the Army National Guard.
- Post-mobilization surveys and retention initiatives to facilitate the re-integration of the unit and its members following deployment.
- Post-mobilization "Freedom Salute" campaign to recognize Soldier, family member, and employer support of extensive overseas deployments.
- Development of Recruit Sustainment Programs to better prepare new Soldiers for initial active duty training and promote unit strength readiness.
- Attrition management/retention programs to educate leaders on caring for and mentoring Soldiers in the high operations tempo environment of the Global War on Terror.
- Resource allocation that optimizes the effectiveness of the Strength Maintenance Philosophy and the teaming of the Recruiting and Retention Force and traditional Army National Guard Soldiers.



### **Selected Reserve Incentives Program**

- Up to \$8,000 Enlistment Bonus for Non-Prior Service enlistees
  - \$3,000 for critical skill
  - \$3,000 for non-prior service bonus
  - \$2,000 for Off-Peak ship to training
- \$3,000 Civilian Acquired Skills Program for NPS enlistees
- \$2,500 for a first 3-Year Re-enlistment/Extension Bonus
- \$2,000 for a second 3-Year Re-enlistment/Extension Bonus
- \$2,500 for a first 3-year prior service Enlistment Bonus
- \$2,000 for a second 3-year prior service Enlistment Bonus
- \$50 per month for Affiliation Bonus (72-month maximum)
- \$10,000 Student Loan Repayment Program
- \$50,000 Health Professional Loan Repayment Program

Army National Guard Incentive Programs are currently undergoing review by program managers for potential adjustments to both the monetary amounts and the payment schedules of the various incentives. We believe these improvements are necessary to compensate our Soldiers, who are contributing to our nation's defense and deploying overseas on a continuous rotational basis. Our goal is to retain our Soldiers when they return.

### ***Army National Guard Full-Time Support***

Dedicated men and women who provide Full-Time Support to Army National Guard Soldiers are a critical part of the Army National Guard. They enhance readiness by assisting Unit Commanders in managing day-to-day requirements. In recent years, the Army National Guard has begun to expand its Full-Time Support force in order to better serve its Soldiers and the units to which they are assigned. To meet readiness requirements, the Chief of the National Guard Bureau, in concert with the state Adjutants General, has placed increasing Full-Time Support authorizations as one of the top priorities for the Army National Guard.

The National Guard Bureau will place new Full-Time Support manpower into our units or into positions that directly impact unit readiness. An example is the Military Technicians that will be directly placed into organizational maintenance shops. Junior enlisted grades will increase through fiscal year 2012 and will be applied to the unit level to accomplish many of the missions where it is not uncommon to find single Active Guard Reserve Soldiers working today.

## ***Army National Guard Well-Being***

The Army National Guard Well-Being Team works in concert with the Active Army and the Reserve as part of a holistic initiative to address various issues affecting Soldiers, families, retirees, veterans, and civilians. The initiative uses various methods to measure success, weakness, or failure in programs that affect the total Army force. Based on the outcomes of these measures, policies and programs are modified or assets are re-allocated to impact the total Army force.

## ***Diversity Initiatives and Equal Opportunity***

The Army National Guard Diversity Initiatives Team addresses demographic realities impacting the Army National Guard as a community-based force. The role of women in American society continues to evolve. More positions in the Army National Guard are open to women based on changes in force structure. With the rapid advance in technology and changes in society, diversity also hinges on generational, technical, and cultural differences.

The Army National Guard Equal Opportunity Team proactively addresses team development and cultural exchanges to foster more productive units and Soldiers. Fundamental to the mission of the Army National Guard, the Equal Opportunity Office addresses issues that arise relating to race, color, gender, sexual harassment, national origin, and religion. The Army National Guard is steadfast in maintaining zero tolerance for all forms and types of discrimination. The Army National Guard will guarantee that all are treated with dignity and respect.

## **Homeland Defense**

### ***Domestic Operations***

In 2003, the Army National Guard provided 419,463 mandays in 42 states, two territories, and the District of Columbia to state-level emergency support missions. The year began with Tropical Storm Lilli along the Gulf Coast that required 9,835 mandays for cleanup and security. Super-typhoon Pongsona hit Guam and required 18,822 mandays to provide traffic control, water, debris removal, and security.

The Army National Guard provided 318,131 mandays to Key Asset Protection, the most significant category of Emergency Support Missions. The Space Shuttle Columbia disaster demonstrated how quickly the National Guard responds from a "standing start." On the day of the disaster, thousands of Army National Guard Soldiers from five states were on duty, recovering and safeguarding debris. This mission required 18,816 mandays of support.

The Army National Guard also provided support to special events, including assistance to law enforcement for the Super Bowl and the Kentucky Derby. Support to governors in response to Hurricane Isabel ended a busy year.

The Army National Guard routinely performs training missions that simultaneously support and assist our communities. The Innovative Readiness Training Program required 205,000 mandays of support in 2003. Programs included improving schools and parks, building and repairing roads, administering immunizations, and providing medical care to under-served areas.

The California Army National Guard is leading an effort to construct access roads to the U.S.-Mexican border to assist the Border Patrol in dealing with the growing tide of illegal immigrants and narcotics. In Alaska, the Guard is leading a five-year project that will result in a 15-mile road connecting two villages on Annette Island, a trip that currently can only be made by boat. The Army National Guard in Maine, Colorado, Arizona, Illinois, North Carolina, Texas, and Alaska conducted medical training exercises to provide inoculations, physician contacts, dental care, and optometrist services to under-served populations. Innovative Readiness Training projects benefit both the Army National Guard and the communities.

### ***Missile Defense***

Defense against ballistic missile attack is a key component of the National Security Strategy in providing for Homeland Security. The National Guard will play a major role in this mission as the force provider for the Ground-based Midcourse Defense system in the initial defensive operations/defensive operations phase per National Security Presidential Directive 23, dated December 16, 2002.

The National Guard received an increase of 100 in Active Guard and Reserve authorizations in the fiscal year 2004 President's Budget request to support this mission. Ground-based Midcourse Missile Defense is a critical element of the Administration's National Security Strategy and defense of the homeland. This program is continually evolving and undergoing refinement.

### ***Continuity of Operations***

The National Guard's Continuity of Operations Program was conceptualized in 1988 and took on added importance after September 11, 2001. In support of homeland defense, the Guard is utilizing this program as a means to ensure continuous command and control in case of emergency.

Executive orders, Department of Defense directives, Chairman of the Joint Chiefs of Staff directives, and Army Regulations require a Continuity of Operations Program. This protects key leaders; allows for the continuity of essential missions; provides for relocation sites; protects vital records and operating files; and ensures survivability, recoverability, and the ability to reconstitute. The National Guard has taken a three-level approach to achieving this end:

- The first level is the Headquarters Department of the Army Continuity of Operations Program that provides the active component with the Army National Guard leadership to support the War fight.
- The second level is the National Guard Continuity of Operations Program that allows both the Army National Guard and the Air National Guard to continue supporting the states and territories in the event of a national disaster.
- Finally, the National Guard is also providing the platform for the 54 states, territories, and the District of Columbia to develop their own Continuity of Operations Program initiatives to support both homeland defense and the War fight at the state and local level.

The National Guard plans to exercise the Continuity of Operations Program at all three levels to ensure readiness and preparedness for any situation. Ultimately, Continuity of Operations

Programs will ensure that no matter the situation, the National Guard will be ready to continue its essential missions.

## **Transformation for the 21st Century**

The Army National Guard is changing. Although our forces continue to meet today's missions, tomorrow's force must be more versatile, ready, and accessible than ever before. They must continue to be capable of full-spectrum operations, but must be better equipped and trained to defend the nation. Future Army National Guard forces must be more interoperable with the Active Component and must be fully capable of operating in a joint or interagency environment. Finally, Guard forces must be postured to support long-term Stability and Support Operations, Peacekeeping Operations, and the missions of the newest Combatant Command, NORTHCOM.

In order to achieve these objectives, the Army National Guard must attract and retain quality Soldiers. We must train and equip them to accomplish the missions of tomorrow.

### ***Force Balance and Restructure***

The Department of the Army is revising priorities to better support the National Military Strategy. Under the direction of the Secretary of Defense, the Army is exchanging some formations from the Active Component and the National Guard. These realignments will better align the Army National Guard and the Army in supporting the warfighting and Homeland Defense missions.

Another significant aspect of this force balance analysis is an initiative by the Director of the Army National Guard to reduce the Army National Guard's force structure with its congressionally authorized personnel endstrength. This rebalancing effort will enable the Army National Guard to deploy units within five to 30 days because their readiness will be improved.

The results of force balance adjustments, coupled with the alignment of force structure and personnel endstrength, will allow the Army National Guard to provide divisions, brigade combat teams, and supporting forces that are ready and capable of supporting the full spectrum of military operations required by the National Military Strategy.

### ***High Demand Units***

Since 1995, the Army has placed a high demand on the Military Police in the National Guard. Beginning with missions to the Balkans, the rate of work for these units has only increased. Today they are used extensively in the Global War on Terrorism, principally in guarding prisoners. To reduce the stress on Military Police units, we have started to convert Field Artillery units into Military Police. Eighteen additional Military Police units will be organized in the next two years.



## **Modular Units**

The Chief of Staff, Army, has directed a comprehensive reevaluation of the Army's corps, divisions, and brigade structures with the intent of making these units more expeditionary through modular design. Modular units will allow for a "plug and play" capability, which will enable the Army to provide the flexible mix of capabilities needed by the warfighter. The Army National Guard will adapt existing force structure to the new design envisioned by the leadership of the Army. Over the next few years, we will reconfigure existing brigades, including the 15 enhanced Separate Brigades, to the new Brigade Combat Team design. We will have 34 Brigade Combat Teams and 8 Divisional Headquarters that will be designed in an infantry and armored mix identical to the Active Component's. This modular capability will provide a new level of flexibility to our organizations as they support the full spectrum of military operations. Distribution of new capabilities will be equitable across the states.

## **Force Modernization**

The Army's highest priority remains maintaining warfighting readiness. In support of this priority, the Army National Guard is pursuing a modernization strategy that will provide the nation with compatible, interoperable, and strategically relevant forces well into the future.

In the near term, we will ensure our Soldiers are equipped with essential force protection items such as the latest body armor with Small Arms Protective Insert plates for the outer tactical vests, the latest Night Vision Devices, and small arms. To enhance near-term readiness, the Army National Guard will focus on Army procurement of the Black Hawk utility helicopter, High-Mobility Multi-Purpose Wheeled Vehicles, Single-Channel Ground and Airborne Radios, Family of Medium Tactical Vehicles, and M-22 Automatic Chemical Detector Alarm.

In the midterm, the Army National Guard will ensure the Army earmarks sufficient funding to refurbish or recapitalize its current forces to ensure fleets viability over the next several decades and for future readiness and relevance. The Army National Guard will focus on Current Force systems to include our primary aircraft, the Black Hawk, CH-47 Chinook, and the Apache; the M1A1 Abrams Main Battle Tank; M2A2 Bradley Fighting Vehicle; M109A6 Paladin Howitzer; Heavy Expanded Mobility Tactical Trucks; and the 5-ton truck fleet. The Army National Guard will continue working with the Army to ensure program managers bring systems cascaded to the Army National Guard's Divisional and Corps troop units up to the required standard.

## **Army National Guard Aviation Modernization & Transformation**

Throughout 2003, the focus of the Army National Guard aviation modernization and transformation efforts was directed toward completion of sweeping changes to unit organizational designs. Accompanying these widespread conversions to the Army Aviation Transformation designs was the continued turn-in of obsolete UH-1H/V "Huey" (Iroquois) and OH-58A/C Kiowa series aircraft, and the fielding of the additional modern UH-60A/L Black Hawk and AH-64A/D Apache series aircraft. Unfortunately, while the Army National Guard net inventory of modernized aircraft increased by 8 Black Hawk and 17 Apache aircraft during fiscal year 2003, the resulting Army National Guard levels for these aircraft did not meet Army goals. In addition, most of the supporting or corrective actions scheduled and funded for 2003, such as

increased quantities of special tools and spare parts, were effectively negated by the increased requirements for contingency operations in Afghanistan and Iraq. Based upon current projections, it is uncertain whether the originally scheduled fiscal year 2002 figures for the Black Hawk and Apache inventory in the Army National Guard will be reached by end of fiscal year 2004. Army fixed-wing aviation modernization efforts are underway to replace the Army National Guard's C-23 Sherpa cargo aircraft with a more robust and capable airplane.

### ***Information Operations***

Army National Guard Information Operations Field Support Teams assist the Brigade, Division, Corps, Joint Task Force, and Combatant Commanders in integrating full-spectrum offensive and defensive information operations, planning, execution, and assessment into their operations. Additionally, Army National Guard full-spectrum Information Operation Vulnerability Assessment Teams, Computer Emergency Response Teams, and Joint Web Risk Assessment Cells contribute to national and homeland security through the protection of information infrastructure. The teams deploy domestically and globally to provide their specialized service to the Combatant Commanders.

In fiscal year 2003, the Army National Guard's Information Operations program continued to develop technically and tactically focused units that supported the warfighting commanders and provided protection of the nation's critical information infrastructure across the operational continuum. During the same period, the Army National Guard Information Operations section for the Pennsylvania Guard's 28th Infantry Division and Minnesota's 34th Infantry Division deployed in support of peacekeeping operations in Bosnia and Kosovo. Seven Information Operations Field Support Teams and one Computer Emergency Response Team were mobilized in support of Operation Iraqi Freedom. The Army National Guard Information Operations program also provided operational support to all major commands and several Army divisions.

This program has trained over 2,400 Reserve and Active Component Soldiers since fiscal year 2000. The program is scheduled to expand its training capability, doubling its capacity in fiscal year 2004.

### ***Logistics and Equipment***

The Army National Guard is deployed all over the world in support of the Global War on Terrorism and operations taking place in Afghanistan and Iraq. Army National Guard personnel, in many cases, train on and use older generation equipment to help support these critical operations. This equipment is far behind the current technologies, making much of what is used by the National Guard incompatible with current Army equipment. And in many cases this older equipment is more expensive to operate and maintain. An additional challenge is that operational costs of older equipment are higher than the new versions due to increased failure rates and decreased availability of spare parts.

The Army National Guard has faced modernization challenges in previous years for such systems as the High-Mobility Multi-Purpose Wheeled Vehicles, Single-Channel Ground and Airborne Radios, chemical and biological detection equipment, and Night Vision Devices. Many of these challenges have had an adverse impact on units preparing for overseas deployment.

The Army National Guard is making significant progress in modernizing its heavy force and bridging its equipment to the digital force. Emerging technologies will dramatically lower the logistics impacts of these systems and substantially reduce repair times, increase operational readiness rates, and eliminate obsolete and unsustainable test equipment. This will allow the Army National Guard to operate its heavy equipment at a higher operational rate while reducing the overall costs for these systems.

### **Equipment Modernization Challenges in the Army National Guard**

- High-Mobility Multi-Purpose Wheeled Vehicles
- Single-Channel Ground and Airborne Radios
- Chemical and biological detection equipment
- Night Vision Devices

The Army National Guard currently has a significant portion of the Army's maintenance infrastructure. This Cold War vestige is too expensive and redundant. Under the Army's new maintenance strategy, the Guard and other Army elements are transforming their maintenance capabilities from a four-level system to a two-level system. This two-level maintenance system will cut redundancy in the system and allow Army maintenance personnel to more efficiently diagnose and maintain equipment at the forward level.

Another focus area for the Army National Guard is the agility and flexibility provided as a full partner in the Army Acquisition Community. Whether it is grooming expert contingency contracting personnel, facilitating Rapid Fielding activities, and/or participating in major Army Program/Project Executive Offices, Army National Guard Acquisition professionals are engaged in depth. The Army National Guard is aggressively analyzing the task organization of Contingency Support Contracting Teams. The members of these teams, task-organized from the existing Modified Table of Organization and Equipment structure, are identified and trained in advance to support specific deployment requirements, giving deploying commanders the flexibility necessary to accomplish their missions without relying on supporting unit assistance.

### ***Environmental Programs***

Training the best force in the world requires the world's best training areas. The Army National Guard's environmental programs support the war-fighter and homeland defense by sustaining healthy training lands. By reducing training restrictions, the Army National Guard is able to be a good steward of the land it uses, while operating top training facilities. The first Army Compatible Use Buffer under Title 10, U.S. Code 2684A was recently implemented at Camp Blanding, Florida. Within the designated buffer, and in collaboration with other agencies, the National Guard has formed land-use agreements to ensure land-use is compatible with military operations.

In addition, Integrated Natural Resource Management Plans will now be used in lieu of critical habitat designation to ensure training lands will continue to be used for training while simultaneously protecting habitat. Also, the Army National Guard has instituted restoration programs to clean and restore contaminated sites. Initiatives at seven sites were recently completed and efforts at five additional sites will be conducted through fiscal year 2005.

The Army National Guard is also improving its business practices as they relate to the environment. Environmental program management will be improved through the implementation of mission-focused Environmental Management Systems. The Army National Guard will change its environmental program from one of compliance to one that is proactive and oriented toward the strategic goal of sustainable installations. This will enhance the ability of warfighting units while minimizing environmental impacts. Our organization is utilizing tools such as the Environmental Performance Assessment System's Compliance Site Inventory, a web-based module that allows environmental managers to track, manage, and query a wide array of compliance data. Recent program developments include a series of protocols to assess the progress of the Environmental Management Systems.

A top priority for the Army National Guard is preparation for fiscal year 2005 base realignment and closure actions and the effect these will have on the environment. The Army National Guard expects to have a complete inventory of training lands by 2006 through its Geographic Information System program. These technologies are critical to the battlefield intelligence component of transformation.

### ***Part of the Joint Force***

During the past year, the Chief of the National Guard Bureau directed the most profound organizational change to the National Guard since the end of World War II. The heart of this transformation effort was to combine the separate Army and Air National Guard Headquarters that existed in each state and territory into a Joint Force Headquarters, State. The vision was to make the National Guard more responsive to regional Combatant Commanders and better enable the Guard to defend the nation as part of the Joint Team.

The Army National Guard is capable of fighting as part of the Joint Team. Today, operations in both peace and war are conducted by Joint Forces. Army National Guard leaders must be trained and capable of operating in a joint environment.

To ensure that its leaders are capable of this, the Army National Guard is developing the means to expose them to joint operations at various stages in their careers, and facilitate the opportunity for them to receive Joint Professional Military Education. These opportunities and experiences with the realities of joint operations will better assure prepared leadership in the Army National Guard.

### ***Predictability for Our Soldiers***

The National Guard has manned units from local communities since the first muster in the Massachusetts Bay Colony in 1636. The National Guard is a community-based force where a Soldier may spend an entire career in the same battalion, company, battery, or troop. This



provides for unit cohesion, stability, continuity, and the bonds of camaraderie that come from shared hardships and experiences.

Although we remain a "Minuteman" force, predictability is an important factor in retaining our Citizen-Soldier. Since 1996, our force has been consistently called to federal active duty. Our Soldiers have and will continue to muster for any mission in the fine tradition of the National Guard. However, the Global War on Terrorism is projected to last several years. Feedback from the Soldiers, their families, and their employers is consistent: they simply wish to know when they are needed and for how long. Soldiers are asking for predictability. When possible, mobilizations and deployments should be forecasted in advance, potentially years ahead of a unit's deployment. The Army National Guard is working towards instituting a Predictable Deployment Cycle that will provide units a forecast on overseas deployments. This predictable cycle looks at using a unit only one time in a six-year period. This is a benchmark. While the National Guard stands ready for any mission at any time, this concept will help alleviate the magnitude of the unknown.

### ***Home Station Mobilization***

Home Station Mobilization is a National Guard initiative that empowers the Joint Force Headquarters, State, with greater responsibilities for the mobilization of units deploying to war. The Joint Force Headquarters, State, assume responsibility for all mobilization processing activities that are currently done at active duty installations. This expedites the mobilization of the National Guard and their employment into theaters of operation. Improved efficiencies in mobilization allow the Army to maximize the operational capability of the force. Three units successfully conducted Home Station Mobilization and demobilization in fiscal year 2003.

### ***Strategic Readiness System***

The Army National Guard implemented the Strategic Readiness System in 2003 to more accurately capture unit readiness. This is an integrated strategic management and measurement system that ensures that all levels of the Army recognize and align their operations to the vision, objectives, and initiatives of the Army Plan. It measures each element's success in achieving these goals. The Strategic Readiness System has assisted Army transformation by changing the way the Army National Guard approaches and reports readiness data.

### ***Personnel and Human Resources***

Continuing Army National Guard participation in the Department of Defense Personnel Transformation includes immediate movement towards the implementation of the Defense Integrated Military Human Resources System during 2005-2006. This human resource system aligns the Army National Guard with a Defense vision and goal of a Joint Service integrated personnel and pay system. It will provide support throughout the life cycle of a service member's career. Development and implementation are proceeding under the direction of the Undersecretary of Defense for Personnel and Readiness in coordination with all services and components. This human resource system will streamline the Guardsman transition from a non-federal to federal active duty status.

The Army National Guard's Permanent Electronic Records Management System is a web-based system utilizing digital imagery to store and retrieve personnel records. Its importance lies in its seamless records management capability throughout the Army, enhancing both mobilization and personnel readiness.

By consolidating the administrative operation of human resources in one place, the Permanent Electronic Records Management System allows personnel records to follow a Soldier regardless of component. Army National Guard enlisted records, currently in hard copy, will be converted to an electronic form in fiscal years 2004 and 2005. It will also adopt an Automated Selection Board System to support and improve the process under which information and votes regarding personnel actions are processed by military personnel boards.

Moving from a paper system to a digital system is a time-consuming process. However, once the Automated Selection Board System is adopted, it will save the Army National Guard more than \$150,000 per year in microfiche production and postage costs. This system is essential to achieve and fully support Personnel Transformation and programmed for fielding in fiscal year 2005.

## Conclusion

The Army National Guard remains a unique capability with its State and Federal mission. As a community-based force, we are entrusted with the responsibility to protect our citizens' liberties and our nation's freedoms. Army National Guardsmen have a warrior's ethos and a loyalty to respond to any Governor or Presidential call to duty.

Our Soldiers have been called upon more than ever to provide security to our nation. We are a ready and relevant force, but we will continue to raise our readiness level to C1, the highest level. We are committed to obtain the necessary resources in the areas of modernization, training, and equipping. Our Soldiers will not reach their fullest potential readiness with outdated equipment, limited health care, and unpredictable deployment cycles. In all areas, however, we remain dedicated to using our resources efficiently and prudently.

The Army National Guard continues its transformation into a leaner, more agile and ready force. As the Army National Guard continues to operate in concert with the U.S. Army, it will fight wars and ensure the safety and well-being of the American people.

## Lieutenant General Daniel James III, Director

### *Air National Guard*

## Overview

What an incredible year this has been for the nation and the Air National Guard. We've continued to make great strides in securing peace for the nation in the Global War on Terrorism. We have validated everything we've said about our capabilities: we train to fight and can accomplish the mission professionally and, most importantly, bring the will of the American people to the conflict.

Our contributions over the past two years and specifically in Operation Iraqi Freedom have been tremendous. Since September 11th, we've mobilized over 36,000 members and have flown over 111,000 sorties for over 340,000 hours. One-third of the Air Force aircraft in Operation Iraqi Freedom was from the Air Guard. We flew 100 percent of the Operation Enduring Freedom A-10 missions and 66 percent of the Iraqi Freedom A-10 taskings. We accomplished 45 percent of the F-16 taskings. The A-10s flew more combat missions in the Iraqi war than any other weapon system. Thanks to our innovative culture, we modernized A-10 and F-16 Block 52 aircraft with LITENING II targeting pods in just three months, giving them precision guided munitions capability. Because of this capability, we were 100 percent successful in stopping SCUD missile launches in the Western Iraqi desert.

We flew 86 percent of the Operation Iraqi Freedom tanker sorties. We accomplished this primarily through the Northeast Tanker Task Force which was operating within 24 hours of initial call from Air Mobility Command. In line with our militia spirit, that task force was initially manned through volunteerism. A total of 18 units supported it; 15 were from the Air Guard.

Iraqi Freedom was also the first employment of the integrated 116th Air Control Wing flying with the Joint Surveillance and Target Attack Radar System (JSTARS). Wing leadership and the Guard and Active crews worked together superbly. While there is still work to do to fix some administrative issues, we have validated the concept of blended or integrated units.

Our Expeditionary Combat Support has been providing outstanding service to the warfighter. Air National Guard maintenance quickly rewired our A-10s and F-16s with LITENING II in minimum time. They've kept our aircraft flying despite the challenging operating conditions.

Security Forces personnel were mobilized for two years and have provided an incredible service. It was Air National Guard Security Forces that were the first Security Forces on the ground in Iraq. Intelligence personnel have been providing unique capabilities for Central Command and organizational support for the U-2, Predator, and Global Hawk. Medical personnel have been utilizing the new Expeditionary Medical Service capability, providing critical care to the warfighter. Civil Engineers built bare bases out of the desert and trained Iraqi firefighters while Weather personnel worldwide provided over 50 percent of the Army's weather support. Financial Management personnel have been diligently working to keep benefits flowing to our members despite complex systems. Air National Guard Command, Control, Communications and Computer personnel have kept vital information flowing on one end of the spectrum and provided Ground Theater Air Control System Personnel on the other. Our chaplains, too, have been providing outstanding spiritual aid out in the field. We have been able to participate at these levels because we provide Expeditionary and Homeland Defense capabilities that are relevant to the nation.

Today as we look toward our future relevancy, as indispensable and equal Total Force partners, we have to be prepared to transform with the Total Force. We are now in a position to make the decisions that will influence our next evolution... transforming the Air National Guard. We are fully committed to the transformation of the National Guard Bureau and Joint State Headquarters.

Some of today's capabilities may not be required in the future. The future Air Force will rely heavily on technological advances in space, command and control, intelligence and reconnaissance systems, information warfare, unmanned aerial vehicles, and the ability to

conduct high volume and highly accurate attacks with significantly fewer platforms. For the Air Guard to remain Total Force partners, we have carved out our own strategy in those areas and will explore new organizational constructs. Among those constructs are various forms of integrated units where we can combine individual units with other Air Guard units or with another service component. We have to expand our capabilities as joint warfighters and make the necessary changes to integrate seamlessly into the joint warfighting force. To remain relevant we must continue to listen to the messages that are being sent today.

The “*VANGUARD*” Engagement Strategy is our vision for transforming the Air National Guard to remain “out in front” as the Department of Defense addresses current realities and plans for an uncertain future. Our Air National Guard of tomorrow will be molded by our transformational approach and actions of today. The Engagement Strategy highlights several *Transformation Focus Areas* where we can concentrate our continuing transformational efforts.

We must continue to lean on the strengths of our people, core values, core competencies, community connections and unique culture *while* participating in Air Force and Department of Defense Transformation, Jointness and Capabilities-Based Relevance.

Now is the time for us to lead the way by considering, selecting and implementing new concepts and missions that leverage our unique strengths to improve Total Force capabilities in support of Expeditionary roles and defense of the homeland. This can only be accomplished by involving *all* Air National Guard stakeholders, working toward a common goal... enhanced future relevance for the entire Air National Guard. Vanguard seeks the optimum synergy resulting from melding the right concepts and missions at the right times and places for the right reasons without jeopardizing our core values and historic traditional militia heritage and culture.

By together addressing the complex issues that face us, we will keep the Air National Guard “Ready, Reliable, Relevant—Needed *Now* and in the Future.”

## Support the War Fight

In the continuing tradition of the Citizen-Airmen, members of the Air National Guard have been contributing to the Global War on Terrorism across the full spectrum of operations. During the peak of Operation Iraqi Freedom, we had over 22,000 members mobilized or on volunteer status supporting the Global War on Terrorism worldwide. In Operation Iraqi Freedom we flew 43 percent of the fighter sorties, 86 percent of the tanker sorties and 39 percent of the airlift sorties. At the same time we were flying almost 25 percent of the Operation Enduring Freedom fighter sorties and over 20 percent of the tanker sorties. True to our heritage, Air National Guard members were hard at work protecting our shores at home by flying over 70 percent of the fighter sorties, over 50 percent of the tanker sorties and 35 percent of the airlift sorties.

But our capabilities do not reside only in aircraft; 15 percent of our expeditionary combat support were engaged during this same period. This includes 60 percent of Security Forces, many of whom were mobilized for the longest duration. Additionally, about 25 percent of our Intelligence, Services and Weather personnel were mobilized.

Air National Guard men and women are proud to defend and protect our nation at home and abroad. Often, however, support equipment requirements overseas necessitate that equipment



remain in place, causing a shortage of equipment for training at home. We are working with Air Force and Defense Department leaders to develop a solution.

### ***Medical Service Transformation—Expeditionary Combat Support, Homeland Defense, and Wing Support***

In 2002, the Air National Guard's Surgeon General led the Air National Guard Medical Service through its most revolutionary transformation in history by reconfiguring its medical capabilities into Expeditionary Medical Support systems. These systems provide highly mobile, integrated and multifunctional medical response capabilities. They are the lightest, leanest and most rapidly deployable medical platforms available to the Air National Guard today. This system is capable of simultaneously providing Expeditionary Combat Support to the warfighter for Air and Space Expeditionary Force missions, Homeland Defense emergency response capabilities to the states and support to the Air National Guard Wings.

During Operation Iraqi Freedom, Air National Guard medical units provided Expeditionary Combat Support to the warfighter. The Expeditionary Medical Support capability allowed 10 percent of Air National Guard medical unit personnel to deploy for Operation Iraqi Freedom, compared to only 3 percent in the early 1990s for deployments for Operations Desert Shield and Desert Storm. The United States Central Command has validated that the Expeditionary Medical Support system is a perfect fit for the Chief of Staff, U.S. Air Force Global Strike Task Force and Concept of Operations.

Homeland Defense capabilities are provided by the Expeditionary Medical Support system through its Military Support to Civil Authorities. The Air National Guard Medical Service plays a vital role in the development and implementation of the National Guard's Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive Enhanced Response Force Package. This package will provide support to state and local emergency responders and improve Weapons of Mass Destruction response capabilities in support of the Civil Support Teams. The Air National Guard will have 12 trained teams by late 2004 and will build toward an anticipated 54 teams by 2007. The Air Combat Command Surgeon General has committed to providing 39 mass decontamination equipment sets to 39 Wings for installation-to-installation support, which will ensure that the Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive Enhanced Response Force package's decontamination teams remain trained. The National Guard's short-term objective is to obtain 10 Small Portable Expeditionary Aerospace Rapid Response equipment sets, one for each Federal Emergency Management Agency Region.

The Air National Guard Medical Service's new Force Structure provided by the Expeditionary Medical Support system provides standardized and much improved Force Health Protection, Public Health, Agent Detection, and Health Surveillance capabilities to better support all Air National Guard Wings. This will enhance the protection of the Wings' resources and improve the medical readiness of its personnel.

Thus the modular "building block" capability of Expeditionary Medical Support provides an advanced technology and an essential, tailored medical capability in a small forward footprint expandable to meet situational needs.

The Air National Guard Surgeon General has pursued and will continue to develop the Air National Guard Medical Service's technology and modernization plans to support the warfighter's, state's, and Wing's requirements.

### ***Eyes and Ears in the Sky: Air National Guard Intelligence, Surveillance, and Reconnaissance Systems and Support***

The Air National Guard's Intelligence Surveillance and Reconnaissance personnel and systems play an increasingly important role in the defense of our nation. Air National Guard men and women are essential to Air Force tasking, processing, exploitation, and dissemination missions to support Global Hawk, Predator, and U-2 collection missions.

Due to a significant increase in Air Force mission requirements, the Air National Guard continues to expand its intelligence collection and production capability. The Air National Guard has also expanded its imagery intelligence capability through the use of Eagle Vision, which is a deployable commercial imagery downlink and exploitation system. This system provides valuable support to aircrew mission planning and targeting, as well as imagery support to natural disasters and terrorism.

Other developing Air Force capabilities that are entrusted to the Air National Guard include the F-16 Theater Airborne Reconnaissance System and the C-130 SCATHE VIEW tactical imagery collection system. The Theater Airborne Reconnaissance System will be improved to provide near-real-time support to warfighter "kill-chain" operations in day-night, all weather conditions. SCATHE VIEW provides a near-real-time imaging capability to support humanitarian relief and non-combatant evacuation operations. To support signal intelligence collection requirements, the Air National Guard continues to aggressively upgrade the SENIOR SCOUT platform. SENIOR SCOUT remains the primary collection asset to support the nation's war on drugs and the Global War on Terrorism in the Southern Hemisphere. Finally, the Air National Guard established a new unit to support RC/OC/WC-135 flying operations at Offutt AFB, Nebraska. This unique future Total Force organizational construct is transformational and serves as a successful example for future operationally integrated units. The Air National Guard is transforming its force structure to meet escalating Intelligence Surveillance and Reconnaissance mission requirements and an ever-increasing demand for Air Guard capabilities.

### ***Managing Force Finances***

Financial Management experienced an unprecedented deployment tempo during 2003. For the first time ever, an Air National Guard Comptroller was assigned exclusive command and fiduciary responsibility for the establishment and sustainment of financial operations in direct support of combat missions. The challenge was to create a financial infrastructure from scratch. This Comptroller and subordinate staff of 5 Air National Guard financial management professionals "financed the fight" with distinction.

As locations overseas were vacated, our financial management expertise was noticeably acknowledged. Our finance personnel were specifically chosen and assigned the significant responsibility for final reconciliation and settlement of accounts. The importance of departing the

local economy with balanced books and completely liquidated fiscal obligations cannot be understated. The Air Guard delivered remarkable stewardship in this demanding role.

The Operational Tempo at home generated another Financial Management "first". One hundred seventy-six Air National Guard finance personnel were mobilized as part of an innovative home station support package. This was a transformational approach to the surge in processing workload that tripled as hundreds of Airmen at each unit were called to duty and follow-on overseas deployment.

### ***The Air National Guard: Using the Stars to Serve the Community***

For the Air Guard, Space Operations provide a critical communications link to communities throughout the nation in the form of satellite support for everyday uses, television, computers, and wireless phones, but also serve as an important military deterrence from external threats. Currently, the 137th Space Warning Squadron in Colorado provides mobile survivable and enduring missile warning capability to U.S. Strategic Command. Recently, two Air National Guard units in Wyoming and California have come out of conversion to provide operational command and control support to Northern Command and to provide round-the-clock support to the Milstar satellite constellation.

Additionally, the Air Force has approved space missions for the 119th Command and Control Squadron in Tennessee to support the U.S. Strategic Command, and the 114th Range Flight in Florida is partnered with an active Air Force unit performing the Launch Range safety mission. There are future plans by the Air Force to transition additional space program missions and assets in Alaska and other states to Air National Guard control.

### ***Comprehensive and Realistic Combat Training—An Asymmetric Advantage***

The National Guard Bureau has a fundamental responsibility to ensure that the men and women of the Air Guard are properly trained to meet the challenges they will face to protect and defend this country. This can be done through the effective development and management of special use airspace and ranges. To support this requirement of the warfighter, the Air Guard is responsible for 14 air-to-ground bombing ranges, four Combat Readiness Training Centers, and the Air Guard Special Use Airspace infrastructure.

To ensure that our units remain ready and relevant, they must have access to adequate training airspace and ranges that meet the demands of evolving operational requirements. The National and Regional Airspace and Range Councils, co-chaired by both the Air Guard and the Air Force, continue to identify and work airspace and range issues that affect combat capability and are engaged with the Federal Aviation Administration in the redesign of the National Airspace System.

Transformation efforts to improve realistic training at our ranges have been identified by several units as instrumental in preparation for Operation Iraqi Freedom. For example, the recently deployed Joint Modular Ground Targets, Urban Area Targets and Time Sensitive Targets provide training that reflects today's combat realities. Ranges are being equipped with modernized scoring and instrumentation and data-link equipment necessary to support precision-



guided weapons training. Critical training is provided to ground Forward Air Controllers as well as aircrews. Range residual cleanup and associated environmental issues remain a major challenge.

The four Combat Readiness Training Centers provide an integrated, year-round, realistic training environment (airspace, ranges, systems, facilities, and equipment), which enables military units to enhance their combat capability at a deployed, combat-oriented operating base and provide training opportunities that cannot be effectively accomplished at the home station. As such, these centers are ideal assets for the Joint National Training Capability. The centers offer an effective mix of live, virtual and constructive simulation training. The Air National Guard continues to pursue National Training Capability certification for these centers and ranges.

It is imperative to the warfighter that the Air Guard maintain its training superiority. As the warfighting transformation and joint operational requirements evolve, it is essential that the airspace and range infrastructure be available to support that training.

## **Homeland Defense**

### ***Air Sovereignty Alert***

Since September 11, 2001, thousands of National Guardsmen have been mobilized to operate alert sites and alert support sites for Operation Noble Eagle (ONE) in support of Homeland Defense. Our Air National Guard has partnered with Active Duty and Reserve forces to provide Combat Air Patrol, random patrols, and aircraft intercept protection for large cities and high-valued assets in response to the increased threat of terrorist groups. By the end of fiscal year 2003, Air National Guard units had assumed 16 of 16 North American Air Defense and Northern Command-directed ground alert sites in the Continental United States and 1 of 2 alert site locations outside the United States. While the Air National Guard has assumed the responsibility of all ground alert sites and some irregular Combat Air Patrol periods, Active Duty units have shouldered the burden of all regular "steady-state" Combat Air Patrols. This partnering agreement maximizes our nation's current basing locations and capitalizes on the high experience levels within the Air National Guard and its professional history in Air Defense operations.

To continue operations at this indefinite pace has posed some unique funding and manning challenges for both the field and headquarters staffs, especially with the looming two-year mobilization limitation and Secretary of Defense's desire to normalize operations. Beginning mid-November 2003, many Air National Guard personnel began to reach their two years on active duty, causing much concern as to the participation of Air National Guard personnel. With the release of the fiscal year 2004 President's Budget, the Air National Guard received temporary funds to begin transitioning from a mobilized to a "steady state" force for fiscal years 2004 and 2005. This funding allowed for supporting the ASA mission in a new Continuum of Service active duty or technician status while at the same time it funded many of our facilities, equipment, and MILCON requirements to support the mission long-term. Our goal is to have all alert personnel transitioned from contingency/mobilized to "steady state" Continuum of Service status by March of 2004. As we move into the fiscal year 2006 Program Objective Memoranda exercise, the active Air Force and Air National Guard will continue to work towards a permanent



solution for our alert force and advocate with the Office of the Secretary of Defense to incorporate these temporary Continuum of Service tours into steady state programs.

## **Transformation for the 21st Century**

### ***Supporting a “Capabilities Based” Military Force***

The Air National Guard is a solid partner with the Air Force, the Air Force Reserve, and all collective units of the Department of Defense designed to protect national security and maintain international peace. The Defense Department’s priority is Transformation... and therefore it is the priority of the active services and the reserve components. Transformation as “relevancy” is dependent on the Air National Guard readiness, in both state and federal missions, being able to support service-apportioned, Joint Chiefs—validated, and Combatant Commander-required “capabilities.”

The Air Force is pursuing innovative organizational constructs and personnel policies to meld the various components into a single, unified force. Ongoing shifts in global conflict and U.S. strategy suggest an increasing attention to activities such as homeland defense, nation-building, and others that may require different mixes of capability that are not necessarily resident at sufficient levels in the Active Component alone. This “Future Total Force” integration will create efficiencies, cut costs, ensure stability, retain invaluable human capital, and, above all, increase our combat capabilities. One example of this transformational initiative is the proposed movement of Air National Guard manpower to Langley AFB, an active duty base, from Richmond, an Air National Guard base, with the intent of leveraging the high experience of Guard personnel to improve the combat capability for the active force.

Another transformation effort is to “integrate,” where sensible, units from two or more components into a single Wing with a single commander. Active, Guard, and Reserve personnel share the same facilities and equipment, and together, execute the same mission. This is a level of integration unprecedented in any of the Services.

Potential future missions might include Unmanned Aerial Vehicles and their training programs, combining the Unmanned Aerial Vehicle squadrons with their manned fighter counterparts; and integrated fighter squadrons realizing the benefits of highly trained personnel flying legacy systems during the transition period to newer fighter aircraft such as the Joint Strike Fighter. The Air National Guard has been steadily increasing its participation in space operations over the years and already plays a vital role in missile warning, satellite command and control, and launch operations. These contributions will be significant during conflicts envisioned for the future.

These changes confirm and continue the trend in which air and space forces carry a heavier share of the burden in the nation’s wars. The new strategy and force-sizing standard point to an increase, not a decrease, in aerospace power.

### ***Modernizing for the Future***

The Air National Guard modernization program is a capabilities-based effort to keep the forces in the field relevant, reliable and ready for any missions tasked by the state or federal authorities. As a framework for prioritization, the modernization program is segmented into three time

frames: short-term, the current and next year's Defense budget; medium-term, out to fiscal year 2015; and long-term, out to fiscal year 2025 and beyond.

As the force structure continues to evolve, the Air Guard can anticipate a continuous process to ensure the forces provide an equivalent capability for Joint and Coalition Forces. The Air National Guard remains an equal partner with the Air and Space Expeditionary Forces that are tasked to meet the future challenges and missions. Because of budget constraints, it is incumbent upon the Air Guard to maximize combat capability for every dollar spent. The Air National Guard includes all aircraft, ground command and control systems, and training and simulation systems in this modernization effort. The requirements necessary to focus this effort must be grounded in clearly defined combat capabilities and missions. The foundation of our future efforts is relevance with reliability and readiness. It is increasingly difficult to keep the Air National Guard legacy systems relevant given the transformation of the Air Force to better, more effective technologies. Systems funding will be a continuous and serious challenge since funding levels continue to fall short of mission requirements. Over the foreseeable future, the Air Force will be stretched to simultaneously fund current operations, modernization, and future research and development projects.

In the near-term, our Modernization Program focuses on the ongoing Global War on Terrorism. Theaters of operations range from domestic efforts, such as fire-fighting, to full partners in overseas efforts, such as Operation Iraqi Freedom and Operation Enduring Freedom. The demands of the modern battlefield require the Air Guard weapons systems and crews to have identical or equivalent capability as the joint and coalition forces. The results of the modernization program were graphically demonstrated in both Operation Iraqi Freedom and Operation Enduring Freedom as the Block 25/30/32 F-16s, with their laser designator LITENING II targeting pods, the Enhanced Position Reporting System and Situation Awareness data links became the weapons system of choice for the combatant commanders in both theaters. Once air supremacy was achieved, the Air National Guard, Air Force Reserve Command and active A-10 aircraft became the primary choice in both theaters. We fully expect that future threats will continue to evolve which will require continued modernization across all weapons systems.

Here is a summary of the Air National Guard's force posture by weapons system:

The A-10 demonstrated its continued relevance in today's battlefield as the Warthog was the dominant weapon when coalition forces raced for Baghdad during Operation Iraqi Freedom. Rapid integration and installation of the LITENING II laser targeting pod in only a few days and subsequent spectacular precision attacks served as a model for the future of the A-10. Several other limitations were identified to include the need to modernize the aircraft infrastructure through the Precision Engagement program. One particular limitation was the lack of a tactical data link. The leading candidate in the near-term is the Joint Tactical Radio System, with installation scheduled to begin in fiscal year 2005. During 2003, the A-10 modernization program experienced, increased emphasis including an aircraft modification to house the personal locator system, further research into an adequate engine replacement, continued testing of the AN/ALR 69 Radar Warning Receiver, continued COMET infrared countermeasures pod testing, continued acquisition of targeting pods for precision guided munitions, and further work for the Precision Engagement program to upgrade the aircraft avionics continued development and integration.

During 2003, the Air Guard F-16s provided crucial combat capabilities in Operation Noble Eagle, Operation Iraqi Freedom and Operation Enduring Freedom by using advanced targeting pods funded by the Air National Guard's Modernization Program for precision-guided munitions. The Commercial Central Interface Unit, Color Multifunctional Displays, the Heads Up Display Advanced Electrical Unit, the Radar Modernized Programmable Signal Processor, the AN/ALR-69 Radar Warning Receiver Antenna Optimization, Situational Awareness Data Link and the Electronic Attack Upgrade were all part of our successful modernization effort. Funding for the Advanced Identify Friend or Foe upgrade was secured along with funding for the final engine upgrade kits. The Theater Airborne Reconnaissance System continued its spiral development to bolster the manned tactical reconnaissance limitation identified by the combatant commanders in every after-action report.

The HC-130 is completing installation of the Forward Looking Infrared system, an essential capability during combat rescue operations. The HC-130 starts integration and installation of the Large Aircraft Infrared Counter Measure system, increasing survivability in face of the ever-increasing threat from hand-held missiles.

The HH-60 program started installation of the new M3M .50 caliber door gun, replaced personal equipment for the pararescue jumpers with state-of-the-art weapons and technologies. The initiation of the HH-60 replacement program will begin to slow any further modernization.

The Operational Support Aircraft Modernization Program leased two 737 Boeing Business Jets that are supporting current VIP Special Air and Joint Operational Support Airlift operations to improve response for civilian and military senior leaders. A third aircraft will receive full modifications and begin service as the C-40C in September 2004.

The training and simulation systems ensure the personnel on the front line are as ready and relevant as the equipment they use. Over the past year, the Air National Guard has begun the transition to the Distributed Mission Operations capability leveraging 21st century technology with realistic simulation. Useful at every level of training, crews acknowledged the edge they gained through mission rehearsal on the ground prior to some of the more complex missions. Starting with the A-10 and F-16 distributed mission training capable flight simulators, the Air National Guard has begun to transform their approach to combat training. The modernization of the F-15 includes the continued installation of the BOL Infrared countermeasures improvements system, continued delivery of upgraded engine kits and completion of the installation of the Multifunctional Information Distribution System Fighter Data Link. The next upgrades include the installation of the new 8 mm recorders, retrofit of a permanent night vision cockpit lighting system, continued integration and purchase of the Joint Helmet Mounted Cueing System, and the delivery of the replacement Identify Friend or Foe system. The conversion from the F-15A/B to F-15C/D begins in fiscal year 2005, thereby extending the relevance of the air superiority forces in the Air National Guard.

C-130 enhancements included the multi-command Avionics Modernization Program which upgraded nearly 500 aircraft to a modern, more sustainable cockpit. Additionally, the Air National Guard continued acquisition of the AN/APN-241 Low Power Color Radar, continued installation of the Night Vision Imaging System, and the Air National Guard-driven development of Scathe View to include various technological spin-offs having application in a myriad of civilian and military efforts. Other Air Guard programs include the AN/AAQ-24 (V) Directional Infrared Counter-measures System, propeller upgrades like the Electronic Propeller Control



System and NP2000 eight-bladed propeller, and a second generation, upgraded Modular Airborne Fire Fighting System. Additionally, the Air National Guard partnered with the Air Force for the first multiyear buy of the new C-130J aircraft to replace the aging C-130E fleet.

The KC-135 weapons system completed the installation of the cockpit upgrade and continued the engine upgrades to the R-model. The KC-135 continued to be the air bridge for the multiple combat deployments across the globe. Keeping the aging fleet modernized will continue to challenge the Air National Guard as the refueling operations evolve to meet the next mission. It is critical the aging tanker fleet be modernized.

The Air National Guard Modernization Program is the key to continuing to field a relevant combat capability, ensuring dominance of American air power for the next 15 to 20 years. We must sustain an open and honest dialogue from the warfighter through Congress, in order to maximize the investment of precious tax dollars. The modernization program is a process, not a goal. Recent combat successes validate that process and serve as a model for future transformation of the United States Air Force.

### ***Land Fleet Supports Air Operations***

The Air National Guard Vehicle Priority Buy program cannot keep pace with mission requirements associated with Homeland Security, new Alert sites, Security Force protection, medical evacuation teams and new aircraft conversions.

At the present time, 35 percent of the Air National Guard vehicle fleet is due for replacement, at a cost of approximately \$262 million.

The Air National Guard vehicle fleet will continue to age and become more costly to maintain. The less-than-adequate replacement rate coupled with additional requirements to support newly emerging homeland security tasking will severely impact our vehicle readiness.

### ***Military Personnel Transformation—30 Years After “Total Force”***

The Air National Guard is partnered with the Air Force in multiple transformation initiatives that will affect the Total Force. These initiatives, tied with the Office of the Secretary of Defense’s new paradigm—Continuum of Service—will necessitate simplifying the processes and rules that are now in place. Continuum of Service is a transformation for personnel management that is needed to acknowledge the changes that have occurred in the way Reserve Component members are now employed in the full range of operational worldwide missions. This transformation will require changes in legislation and the commitment of the military services. Although there is an increased spirit of volunteerism, and retention remains strong despite the increase in calls for federal and state service, a more integrated approach to military personnel management is imperative. The integration that is required presents a challenge in military personnel life cycle management. The Guard’s Directorate of Diversity, Personnel, and Training, the stewards of the force, will ensure Continuum of Service policies have the flexibility to manage the force separately, so Guardmembers have a reasonable opportunity to compete for promotion.

One of the business operations targeted by the Secretary of the Air Force for transformation is the manner in which the Air Force delivers human resource services to its customers. The



transformation of these business operations will achieve the Air Force Secretary's objectives by shifting from the current labor-intensive, transaction-focused customer service delivery system to a "strategic partner" role. The ultimate goal is the creation of a customer-focused, mission-driven Total Force service-based delivery system. The system will be leveraged by technology that provides effective, efficient and timely services, while freeing human resource professionals to advise commanders on the development and management of their personnel. The Air Guard is committed to the Secretary's vision and goals for Customer Service Transformation while, at the same time, ensuring Air National Guard members have access to the human resource services which are vital to effective career management.

The Air National Guard supports the transformational vision of the Chief of Staff of the Air Force for a more deliberate approach in developing a force development construct. This entails a Total Force concept that incorporates the way the Air Force trains, educates, promotes, and assigns the Total Force—Active, Guard, Reserve, and Civilians. The newly published Air Force Policy Directive 36-26 represents a radical departure from the current educational and assignment culture. The newly published directive emphasizes a flexible, capabilities-based, Total Force approach that fulfills the professional and personal expectations of our Airmen, while still meeting mission requirements.

One aspect of the Force Development construct is ensuring implementation of the Air National Guard's national diversity strategy. The purpose of the diversity strategy is to increase mission readiness in the organization by focusing on workforce diversity and assuring fair and equitable participation for all. Finally, the Air National Guard has developed a Formal Mentoring Initiative that is ready for a nation-wide rollout. This program will be a key component in the professional development of Air National Guard members.

### ***Information Networking for the Total Force***

The Air National Guard Enterprise Network is critical to the successful transmission of information within a unit, between units, and among the various states. We are making progress towards modernizing our nationwide information technology network that serves a vital role in homeland security and national defense. A healthy and robust network for reliable, available and secure information technology is essential to federal and state authorities in their ability to exercise command and control of information resources that potentially could impact their various constituencies. The effective functioning of the Air National Guard relies upon a strong interface and interaction within the network to share information at all levels.

The Air National Guard continues to make significant progress in procuring network hardware and personal computer and server software that decreases complexity and increases network communication with Air Force and Department of Defense partners.

The Air National Guard has completed a nationwide consolidation of network servers by consolidating core network services to regional operations centers, and we continue to provide high quality Information Technology services. At the same time, we continue to reduce redundant and obsolete systems and programs.

The current initiative to provide better communications to our warfighters is our initial roll-out of Microsoft's Active Directory Services. These services will provide enhanced security and broader communications capabilities to our users, and more closely integrate our network with

Air Force and other Service networks, thereby increasing both security and communications capability. We hope to fund the remaining roll-out in fiscal year 2004 and begin follow-on programs that will reduce the time required to maintain server and desktop hardware, as well as help manage the software upgrades and security patches so critical to our network's security.

Greater emphasis must be placed on maturing the Air National Guard Enterprise Network. The rapidly changing hardware and software requirements of our warfighting and combat support functions come with a significant cost to upgrade and maintain a fully capable Information Technology network. The Air Guard network has typically been supported at the same level it was during the 1990s. Without a significant infusion of new technology, all other Air National Guard mission areas will be less than fully capable of executing their missions. This modernization initiative will certainly enhance the Air National Guard's interoperability with other federal and state agencies.

### ***Preserving Facility Operations***

Air National Guard Civil Engineering is proud of its management record of constraining infrastructure and operating costs while providing quality installations responsive to the nation's needs. This focused business concept limits direct investment to core responsibilities to better balance component, service, and department resources with other risk areas.

Civil Engineering demonstrates the balance between cost-effective and responsive infrastructure by operating a lean facility plant, relying on contractors for most facility work, and leveraging with the states and the traditional Guard member structure to reduce costs.

Facility space at the typical Air National Guard installation averages only 350,000 square feet constrained to operational, training and administrative space on 150 acres of leased property. Air National Guard installations do not have the extensive support facilities typically present on active component bases, such as dormitories, golf courses, family housing, hospitals, child-care facilities, schools, youth centers, commissaries or main exchanges. Instead, Guard members leverage this quality of life support through the community. Additional cost containment is realized by the joint-use of runways and taxiways that are typically owned by the local civilian airport authority and by property leases at nominal or no cost.

A small federal workforce of 7 to 10 predominantly civilian employees executes the facility operations and maintenance program through a contract and state employee workforce. This small fulltime workforce is built around the Base Civil Engineer, an assistant, a facility manager and a production controller. About 15 state employees provide maintenance service for day-to-day requirements while larger non-routine maintenance, repair and construction, where most investment is made, are accomplished through contracts as needed. Twenty-four state employee firefighters provide crash, fire and rescue service when not provided by the local civilian airport authority.

Base operational costs are further leveraged by state contributions. Specifically, states are required to provide matching funds for services such as utilities, custodial, trash, grounds maintenance and snow removal. This contribution typically ranges between 15 and 25 percent of the total cost of the requirement. Additionally, Civil Engineer and Services "outsource" its military capability, with personnel fulfilling traditional part-time roles, and thus avoiding full-time costs except when needed for wartime or deployment requirements. The Air National Guard

Prime Base Engineer Emergency Force or PrimeBEEF force has been covering 30 percent of the total Air Force engineering wartime and deployment requirement, while the Prime Readiness in Base Services or Prime RIBS team has been covering 40 percent of these requirements.

Civil Engineer management controls costs to help keep the Air National Guard and its military presence in the community. National Guard facilities and personnel assigned to local units are the primary connection most Americans have with the military since a large number of active duty bases were closed during the 1990s. This community presence provides cost--effective platforms for recruitment and retention by being close to where Guard members work and live. Correspondingly, the Air Guard's efficient infrastructure and management structure helps the National Guard and the Department of Defense to balance resources with other areas of risk as they continue to transform military capabilities.

### ***Redesigning Financial Management Systems***

The Air National Guard Financial Management community is actively participating in the coordination of the Office of the Secretary of Defense Business Management Modernization Program and the Air Force Financial Management Transformation efforts.

This will ensure our future systems and procedures comply with the Defense Business Enterprise Architecture. The Air Guard's efforts include:

- Adopting standard business practices and systems to enhance the accountability and accuracy of financial management transactions; and,
- Replacement of non-compliant financial management systems with web applications that fully support the defense architecture and the Chief Financial Officers Act of 1990.

This is particularly evidenced by our efforts to transform and modernize the management of the Air National Guard Military Personnel Appropriation through the future implementation of the Reserve Order Writer System, a candidate to become a joint system that will bring the latest advances in technology and military orders information to Guards-members in the convenience of their homes around the clock.

### **Conclusion**

The Air National Guard will continue to defend the nation in the War on Terrorism while transforming for the future. We will do this across the full spectrum of operations in both the Expeditionary and Homeland Defense missions. The Air National Guard will also continue to leverage our militia culture and linkage to the community that is vital to our nation. The men and women of the Air Guard are currently serving proudly in the far corners of the globe—and here at home—and will do so with distinction with the necessary tools to protect our freedoms.

## **Major General Paul J. Sullivan, Vice Chief**

### ***National Guard Bureau***

## **Overview**

The most exciting changes occurring in the National Guard today are in the areas of Transformation, Jointness and Homeland Defense. The initiatives begun in 2003 to bring the National Guard fully into the Goldwater-Nichols era of jointness are already transforming the way we do business in the highest echelons of the Department of Defense, out in the states, and around the world where our Soldiers and Airmen are protecting our nation from harm.

Transforming our headquarters to a joint structure provides greater interoperability with combatant commands, especially with U.S. Northern Command, U.S. Southern Command, and U.S. Pacific Command. It also increases our ability to interface with the Department of Defense and the Joint Staff on issues of Homeland Defense, Homeland Security, and Military Assistance to Civil Authorities. In summary, this will allow the Guard to operate on the same basis as the rest of the Defense Department.

The year 2003 marked the beginning of our journey. There are many more tasks to accomplish before we have fully implemented our transformation campaign plan.

The National Guard Bureau completed the initial stage of its transformation to a joint staff during the summer of 2003. In revising the staff structure, we attempted to mirror as closely as possible the structure of the Joint Staff in the Pentagon, thus facilitating closer coordination between the two to the maximum degree possible.

The Bureau is extensively reorganizing its manpower to perform staff functions that had never been addressed outside of the single-service focus of the Army National Guard and Air National Guard Directorates. The new joint Directorates of Logistics and Intelligence are prime examples of the Bureau expanding its vision and capabilities so that we can fully engage in interservice and intergovernmental efforts to protect the nation at home and abroad.

The expansion of the National Guard Bureau's roles and missions in the joint arena must still be validated by the Secretary of Defense and the Joint Staff.

The transformation to a joint Headquarters at the National Guard Bureau is being paralleled by a similar transformation in the states. The new Standing Joint Force Headquarters, State, are being designed to parallel the configurations of the National Guard Bureau, the Joint Staff, and the Combatant Commands. The States have been given flexibility to apply their human and financial resources to the joint configuration to address their unique needs, while centralizing each governor's ability to leverage both homeland security and state mission capabilities in the event of a local emergency.

Every Joint Force Headquarters, State will provide a standing Joint Force Command and Control capability that will allow a combatant commander to accurately monitor an incident, provide supporting forces, or command federal forces, including federalized National Guard forces, in support of the civilian incident commander. This coordination between state and federal



authorities will be aided by the creation of a robust command, control and communications backbone. We have proposed a Joint CONUS Communications Support Enterprise initiative that will provide a common, secure means through which they can coordinate their response for any domestic emergency. Upon completion of these transformational initiatives, the ability of both civil and military authorities to secure and defend the homeland will have increased exponentially.

In 2003, under the direction of Lieutenant General H Steven Blum, the Bureau asserted that joint duty billets and joint educational opportunities should be extended to the National Guard. The Defense Department is currently considering plans that will allow members of the reserve components, for the first time in history, to benefit from the opportunities provided by Joint Professional Military Education. The broad-based implementation of this training in years to come will be critical to achieving our goal of fully integrating the National Guard system with the Department and the combatant commands.

In organizing itself for the future, the National Guard Bureau, together with the National Guard headquarters in every state and territory, is transforming to become a member of the joint team. The War on Terror demands this capability from us; indeed, we are already serving in this capacity in our day-to-day interactions with the Office of the Secretary of Defense, with the Joint Staff, and with the combatant commanders. It is our responsibility to ensure that this transformation to jointness reaches full operating capability by October 2005.

## **Support the War Fight**

### ***State Partnership Program***

The National Guard State Partnership Program links states and countries for the purpose of improving bilateral relations with the U.S. The value of this program is its ability to focus the attention of a small part of the Department of Defense—a state National Guard—with a single country or region in support of our government policies. The program's goals reflect an evolving international affairs mission for the National Guard. In addition, the National Guard promotes regional stability and civil-military relationships in support of U.S. policy objectives. The State Partners actively participate in a host of engagement activities including bilateral familiarization and training events, exercises, fellowship-style internships, and civic leader visits. All activities are coordinated through the theater combatant commander and the U.S. ambassadors' country teams, and other agencies, as appropriate, to ensure that National Guard efforts are tailored to meet both U.S. and country objectives. This program increases exposure of Guard personnel to diverse cultures in regions where they may be deployed in the future.

During 2003, nine new partnerships—Kansas--Armenia; Maryland-Bosnia; Puerto Rico--Dominican Republic; New York-South Africa; Wisconsin--Nicaragua; Utah-Morocco; Alaska-Mongolia; Florida-Guyana; and Virginia-Tajikistan—were formed. The Colorado-Jordan partnership was announced in March 2004. Currently thirty-nine U.S. states, two territories, and the District of Columbia are partnered with forty-five countries around the world, and last year alone more than 300 events took place between the partners. In fiscal year 2004 and beyond, it is our goal to expand the program to include increased interaction at the action officer and troop level will enable the partners to develop more hands-on events.

The State Partnership Program is also invaluable for our own homeland security. As we interface with countries that, on a daily basis, live with a terrorist threat in their own back yard, we learn the tactics and techniques that they employ to thwart attacks on their civilian population. Conversely, the countries learn some of the capabilities and techniques employed by not only the Department of Defense, but by our civilian organizations at both a federal and state level that are in use to protect our homeland. It is through this cooperative exchange of vital information that we ultimately protect our homeland by pushing our borders outwards and creating an atmosphere of mutual support and collaboration.

### ***Full-Time Support***

The Active Guard and Reserve and Military Technician programs are a major asset for the National Guard and are essential to organizational readiness. Governed by USC Title 32, these full-time personnel are uniformed members who perform day-to-day responsibilities for a unit, who train with traditional Guardmembers in that unit, and who are available for mobilization or deployment when the unit is called to active duty.

The heightened pace of operations, however, has put a strain on normal procedures, particularly for the military technician force. National Guard technician deployments in support of ongoing contingency operations involved approximately 16 percent of the technician workforce. This resulted in an increased demand for personnel actions to support technician separation and leave of absence actions, entitlements counseling, and backfill of positions in order to continue accomplishing essential full-time functions like payroll processing and equipment maintenance. In order to expedite the increased demand for backfill, the previously authorized emergency hiring flexibilities were expanded and extended for another year. These flexibilities provided streamlined hiring processes for affected states.

The deployment of large numbers of military technicians with their units, while beneficial to the overall mission, created funding challenges for the program. Under current Uniformed Services Employment and Reemployment Rights laws, absence of technicians from their positions due to service in the armed forces does not result in absence of costs for agencies employing those technicians. The National Guard was still responsible for costs associated with stay-behind missions, such as maintaining armories and equipment, and the congressional legislation that employee and employer health benefit costs for technicians be paid for up to 18 months during mobilization. Therefore, residual costs incurred from health benefit costs, costs associated from backfilling mobilized technicians, outsourcing expenses, and other issues resulted in increased funding challenges during 2003.

### ***National Guard Family Programs***

As the role of the National Guard becomes focused on the dual missions of Global War on Terrorism and Homeland Security, units will continue to maintain a high level of readiness for overseas and homeland operations.

Not since World War II have so many Guardmembers been deployed to so many places for such extended periods of time. The role and support of the family is critical to success with these missions. The National Guard Family Program has developed an extensive infrastructure to

support and assist families during all phases of the deployment process. There are more than 400 National Guard Family Assistance Centers located throughout the fifty-four states, territories and the District of Columbia. These centers provide information, referral, and assistance with anything that families experience during a deployment. Most importantly, these services are for any military family member from any branch or component of the Armed Forces.

If family members are not prepared for deployments, a service member's readiness, morale, and eventually retention are affected. Family programs are currently in place to assist families during deployment, pre-mobilization, mobilization, and reunion. The Family Program office provides support to program coordinators through information-sharing, training, volunteer management, workshops, newsletters, family events, and youth development programs, among other services.

The greatest challenge lies in awareness and communication. The feedback we receive indicates that many family members are unaware of the many resources available to them during a period of active duty or deployment. Our primary goals are to increase the level of awareness and participation with existing family resources, and to improve overall mission readiness and retention by giving our warfighters the peace-of-mind of knowing that their families are well cared for.

### ***Employer Support of the Guard and Reserve***

The National Guard Bureau renewed its partnership with the National Committee, Employer Support of the Guard and Reserve. The Chief, National Guard Bureau, reinforced this commitment with his decision to authorize 54 positions for the states, District of Columbia, and territories to augment retention initiatives within all seven of the reserve components. A new initiative in fiscal year 2004 is a national level contract that provides the states with additional personnel and puts the Employer Support program on a parallel track with the National Guard's Family Program. These two programs are intended to dovetail, and reflect our increased efforts to address the impact of mobilizations on employers and families.

### ***Youth ChalleNGe Program***

The award-winning National Guard ChalleNGe program is a community-based program in twenty-nine sites that leads, trains, and mentors at-risk youth to become productive citizens. The second largest mentoring program in the nation, the ChalleNGe program is coeducational and consists of a five-month "quasi-military" residential phase and a one-year post-residential phase. Corps members must be volunteers, between 16 and 18 years of age, not in trouble with the law, drug-free, unemployed, and high school dropouts.

A national model since 1993, the twenty-five states and territories that offer the program have graduated more than 48,000 young men and women who leave equipped with the values, skills, education and self-discipline necessary to succeed as adults in our society. Significantly, although many ChalleNGe candidates are from at-risk populations, over 70 percent of them have attained either a General Equivalency Diploma or a high school diploma. Furthermore, approximately 30 percent of all graduates choose to enter military service upon graduation. While the General Equivalency Diploma attainment is over 66 percent, and the graduation rate is above 90 percent, the National Guard seeks to improve the results in both areas.



The National Guard is "Hometown America" with deep roots in every community. The strong community ties make the National Guard a highly visible and effective entity in many towns and communities across the United States. National Guard units across the country have traditionally been involved in youth programs designed to help young people become positive and productive members of their community. The ChalleNGe program pays for itself with the savings realized from keeping young people out of jails and off welfare roles. In fact, these same young people are more prone to become productive, tax-paying members of their communities. The program saves \$175 million in juvenile corrections costs, while lowering the percentage of youth who are on federal assistance from 24 percent to 10 percent. The results are that a ChalleNGe program actually makes money for the tax dollars spent.

### ***Drug Interdiction and Counterdrug Activities***

In 1989, the Congress authorized the National Guard to perform drug interdiction and counterdrug activities under Section 112, Title 32 of the United States Code.

This domestic counterdrug effort falls into two general areas: supporting community-based drug demand reduction programs and providing support to help law enforcement stop illegal drugs from being imported, manufactured and distributed. Approximately 2,600 personnel in Title 32 status work with the programs, while at the same time maintaining their wartime military skills and unit readiness.

The mission of the Drug Demand Reduction program organizes and expands community efforts to form coordinated and complementary systems to reduce substance abuse. The Guard's primary focus is on community mobilization and assistance to neighborhood groups. We assist these groups in setting goals and objectives and building neighborhood strength and resiliency that provide alternatives to drugs and drug-related crime. In fiscal year 2003, National Guard members were able to reach an audience of over 4.7 million students and family members with an anti-drug message.

Supply reduction activities stem the flow of illegal drugs into the United States. The National Guard performs a variety of counterdrug missions in direct support of local, state, and federal law enforcement. The types of support provided are diverse, but focus primarily on intelligence analysis and investigative case support. Activities also include linguist support, surface and aerial reconnaissance and observation, as well as communications and engineer support. We provide unique military-oriented skills so the program acts as a force-multiplier for law enforcement agencies.

As part of the supply interdiction mission, the National Guard provides airborne support to the domestic effort through the Counterdrug Reconnaissance and Aerial Interdiction Detachment program and the C-26 Sherpa program. These programs employ Kiowa helicopters and Sherpa aircraft to detect and track targets identified by law enforcement agencies. These aircraft have been specially modified with thermal imaging equipment, night vision devices, and high-tech communications equipment. Currently, we operate 116 Kiowa helicopters distributed among thirty-seven states; while eleven states each have a single Sherpa aircraft for these efforts. Recently, several of the Sherpa assets have been tasked to support overseas missions in support of U.S. Southern Command.



In Fiscal Year 2003, National Guard support efforts led to 66,395 arrests and assisted law enforcement in seizing the following:	
Cocaine	665,179 pounds
Crack Cocaine	61,713 pounds
Marijuana eradicated	2,232,693 plants
Marijuana (processed)	1,254,112 pounds
Methamphetamines	26,077 pounds
Heroin	62,715 pounds
Ecstasy	387,616 pills
Other / Designer Drugs	1,606,274 pills
Weapons	10,260
Vehicles	46,349
Currency	\$192,607,004

Due to the tremendous successes of the Guard's training programs, and the growing need for more specialized training, the Guard operates five congressionally authorized training academies that provide counterdrug training for both law enforcement and community officials. These programs are open to both civilian and military personnel, and these no-cost courses provide training in both supply interdiction and drug demand reduction.

Finally, to help ensure a drug-free workplace, the National Guard administers and oversees a Substance Abuse Prevention Program. All members of the National Guard are subject to random, unannounced testing throughout the year. Additionally, members in certain specialties or job categories are subject to mandatory testing each year. In fiscal year 2003, we performed more than 225,000 drug tests. This testing helps ensure that the National Guard force is fit and mission-ready.

## Homeland Defense

### *National Guard Reaction Force*

The National Guard has nearly 368 years of experience in responding to both the federal government's warfighting requirements, and the needs of the states to protect critical infrastructure and to ensure the safety of local communities. In an effort to improve the capability of states to respond to threats against critical infrastructure within their borders, the Chief of the National Guard Bureau has asked each Adjutant General to develop a Quick Reaction Force capability. The goal is to have a trained and ready National Guard force available

to the governor that can respond in support of local, state and, when required, federal agencies. The Guard Bureau has been coordinating with the states and territories to identify current response capabilities, as well as working with Northern and Pacific commands to ensure that these capabilities are understood and incorporated into their emergency response plans. Work is underway to identify additional requirements for force protection and interoperability with civil responders. This reaction force is not a new capability or concept. What is new is the standardized training and mission capabilities being shared by all states, territories, and the District of Columbia.

### ***Full Spectrum Vulnerability Assessment***

The Full Spectrum Vulnerability Assessment program is a new National Guard Homeland Defense initiative in which each state and territory has a team of Soldiers or Airmen trained to conduct vulnerability assessments of critical infrastructure in order to prepare and plan emergency mission response in the event of a terrorist attack or natural disaster. This program is designed to execute the pre-planning needed for emergency response; to educate civilian agencies on basic force protection; to develop relationships between emergency responders, owners of critical infrastructure and National Guard planners in the states; and deploy traditional National Guard forces in a timely fashion to protect that infrastructure. In developing this concept, the Guard Bureau has worked with the office of the Assistant Secretary of Defense for Homeland Defense to establish policies and standards. During 2004, we plan to have six of these teams trained to conduct vulnerability assessments. Through this initiative, the National Guard continues its time-honored tradition of being prepared to respond at a moment's notice in defense of America.

### ***Weapons of Mass Destruction Civil Support Teams***

The National Guard continues to strengthen its ability to respond to chemical, biological, radiological, nuclear, and high-yield explosive events. Since September 11, 2001, the existing thirty-two teams have been fully engaged in planning, training and operations in support of state and local emergency responders. Civil Support Teams are designed to provide specialized expertise and technical assistance to an incident commander by identifying chemical, biological, radiological, or nuclear substances; assessing the situation; advising the commander on potential courses of action; and assisting with cutting-edge technology and expertise. Operationally, these teams are under the command and control of the governors through their respective Adjutants General in a U.S.C Title 32 status. The National Guard Bureau provides logistical support, standardized operational procedures, and operational coordination to facilitate the employment of the teams and to ensure back-up capability to states currently without a team.

During fiscal year 2003, teams responded to seventy-four requests for support from civil authorities for actual or potential incidents. Teams from Texas, Louisiana, Oklahoma, Arkansas, and New Mexico also provided valuable support in response to the Columbia space shuttle disaster during February 2003.

In accordance with Congressional and Defense Department direction, the National Guard will add twenty-three new teams, beginning with twelve in 2004, so that each state, territory, and the

District of Columbia will have at least one team. Another four teams will be added in 2005, with four more in 2006, and the remaining three in 2007.

In order to continue to be the best possible resource to the emergency responders they assist, it is vital that these teams continue to be equipped with state-of-the-art technology and trained to the highest possible level. To accomplish this, the teams must remain a high priority for resourcing at all levels of the Department of Defense.

### ***Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive Enhanced Response Force Package***

After the terrorist events of September 11th, the protection of personnel and resources has greater urgency and the potential for response to civil authority is greater than ever. Local, state and federal agencies are applying tremendous resources to improve their Weapons of Mass Destruction response capabilities. To enhance the National Guard capability, the National Guard Bureau has developed an initiative to equip and train units in twelve states to provide a Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive regional response. This force will augment the Civil Support Teams and will provide emergency responders with a follow-on, task force-oriented structure that will help secure the incident site, support mass casualty decontamination operations in or near contaminated environments, and provide for casualty search and extraction. Included in this response force package is platoon-sized security, medical, decontamination, and technical search and extraction teams. These personnel are expected to respond to an incident on short notice in either state active duty or U.S.C Title 32 status. The new teams are expected to be trained and ready to respond by October 2004.

### ***Intelligence for Homeland Security***

During the 2003 transformation to a joint staff structure, the Guard Bureau broke new ground by organizing for the first time in its history an Intelligence Directorate. The draft mission statement designates the directorate as the primary advisor to the Chief, National Guard Bureau, Deputy Chiefs, and the Adjutants General of the fifty-four states and territories for all intelligence-related matters. With the focus on improving threat awareness for the Guard's Homeland Security mission, the immediate goal has been to efficiently maximize information-sharing between the Guard and Defense Department, the combatant commands, particularly U.S. Northern Command and U.S. Pacific Command, the Department of Homeland Security, and national-level intelligence agencies. Concurrently, this new directorate is taking the lead in establishing a common operating system for intelligence that will provide a standardized intelligence picture that gives each participant the same level of situational awareness and allows sharing of information and intelligence across a single system, thus aiding the decision-making process.

## **Transformation for the 21st Century**

### ***Transformation to a Joint National Guard Bureau***

In May 2003, the Chief, National Guard Bureau, announced his vision to transform the Bureau into a Joint National Guard Bureau that encompasses both its federal and state missions. In July 2003, the Chief provisionally organized the Bureau's manpower resources into a joint staff.

In late July 2003, the Office of the Secretary of Defense recognized the changing roles of the National Guard, both in its federal and state relationship, and indicated support of the Bureau as the national strategic focal point for National Guard matters. Secretary of Defense Rumsfeld further suggested greater ties with his office, the Joint Staff, and the Departments of the Army and Air Force in support of combatant commanders. The Secretary encouraged the development of proposals to forge a new relationship, one which would improve his office's access to National Guard capabilities and improve the ability of the National Guard to operate in the joint environment and other military matters. The primary interest for the Chief, National Guard Bureau is the Area of Responsibility of all combatant commanders whose plans include or affect, or will likely include or affect, federalized or non-federalized National Guard units or personnel. As such, the Bureau supports U.S. Northern Command, U.S. Pacific Command, U.S. Strategic Command, and the states and territories in developing military strategy and contingency plans for homeland defense and civil support operations. It further supports all of the combatant commanders in developing joint operational requirements for Theater Security Cooperation, and War and Contingency Plans.

The Bureau is recommending its recognition, in both law and policy, as a joint activity of the Department of Defense, as well as a joint bureau of the Departments of the Army and the Air Force, with both joint and Service responsibilities. This joint initiative is projected to achieve full operational capability and validation from the Secretary of Defense and the Joint Staff by fiscal year 2005.

### ***Joint Force Headquarters, State***

On October 1, 2003, the Chief approved provisional operation of the Joint Force Headquarters in each of the fifty-four states, territories, and the District of Columbia. Transformation of the previously separate Air and Army National Guard Headquarters will continue through fiscal year 2006.

The Joint Force Headquarters of each state, territory, Puerto Rico and the District of Columbia exercises command and/or control over all assigned, attached or operationally aligned forces. It acts as a standing, deployed joint force headquarters, within the geographic confines of the state/territory/ commonwealth or district; it provides situational awareness of developing or on-going emergencies and activities to federal and state authority. As ordered, the Joint Force Headquarters, State provides trained and equipped forces and capabilities to the services and the Combatant Commanders for federal missions. The Joint Force Headquarters, State supports civil authority with capabilities and forces for homeland security and/or domestic emergencies.

The Bureau is working to obtain Joint Staff approval for integration of this headquarters organization into the joint manpower process, specifically through submission of a Joint Table of Distribution, along with supporting documentation, by September 30, 2004.



### ***Joint Professional Military Education***

Joint Professional Military Education is the key to integrating the staffs of the fifty-four newly-created and the National Guard Joint Staff with the rest of the Defense Department. Credit for performance of joint duty is also a key factor in determining promotions in the active component, and increasingly within the reserve components as well. For this reason, in order to make the Bureau competitive with other joint duty assignments, ceilings for Joint Specialty Officer billets must be raised and billets must be allotted to the Guard. Guard officers also need increased access to resident Phase 2 Joint Professional Military Education. We are actively working with the Joint Staff in the Pentagon to explore ways of using the Guard's extensive Distance Learning facilities to expand Joint Professional Military Education opportunities to members of the military, regardless of service or component.

### ***Reserve Joint Staff Duty at National Guard Bureau***

One of the Chief's early initiatives while meeting with the other reserve component chiefs was to obtain input and support for exchanging officers to serve on each other's staffs. This added capability is intended to assist in planning for the homeland security mission by sharing at an early stage a better understanding of the roles and specific security missions assigned to each component. For the first time in its 100-year history, Navy and Marine Corps Reserve officers are now serving as part of the Bureau staff, and Guard officers, in turn, have been assigned to their staffs. Similar exchanges are planned with the Coast Guard Reserve. These pioneers in the reserve joint staff arena are field grade officers currently assigned to the Operations and Plans and Policy equivalent directorates for a two-year period.

### ***Joint Continental U.S. Communications Support Enterprise***

Under Section 10501(b), U.S.C Title 10, one of the purposes of the National Guard Bureau is "the channel of communications on all matters pertaining to the National Guard, the Army National Guard of the United States, and the Air National Guard of the United States, between the Department of the Army and the Department of the Air Force, and the several states." Therefore, an obvious role for the National Guard is to provide an interface for communications between federal and state agencies with regard to incidents involving homeland security. There is a requirement for U.S. Northern Command, as well as other federal agencies, to have "continuous situational awareness" of incidents occurring in the states related to homeland security and the associated activities of the National Guard while acting under the states' control.

To meet these requirements, the Bureau has established a communications enterprise concept that meets the new homeland defense challenges and leverages the advantages of the National Guard's constitutional dual status under the state and federal governments. The proposed communications enterprise is the state-federal network connectivity concept named the Joint Continental United States Communications Support Enterprise.

This enterprise will involve national level management and integration by the Bureau of long haul, tactical, and other service capabilities to provide U.S. Northern Command, Pacific Command and the Joint Force Headquarters, State with connectivity to and through state

networks to an incident site. The enterprise includes the establishment of a National Guard Bureau Joint Operations Center; a state joint headquarters communications element; net-centric connectivity state-to-state; vertical connectivity to incident sites, including a wireless capability; and a National Guard Homeland Security Communications Capability.

In 2003, the Bureau took the first step by establishing a Joint Operations Center, and the Standing Joint Force Headquarters in each state are in the process of establishing a dedicated communications element. Planning and resourcing for the remaining program phases are ongoing.

### ***National Guard Enterprise Information Technology Initiatives***

The National Guard continues to move aggressively in using information technology to support our warfighters and our missions at all levels, including Homeland Security and Homeland Defense. These initiatives are being implemented with an approach that is geared towards the National Guard Enterprise. Some examples of these initiatives from the past year include using Guard telecommunications resources, specifically distributed learning classrooms and video teleconferencing assets, to link Civil Support Teams in thirteen states. These resources have been used to provide critical pre-deployment support for warfighters and their families. For example, at Indiana's Camp Atterbury mobilization site, readiness training was conducted for Soldiers during the day, and in the evenings, a "Cyber Café" was established where Soldiers checked e-mail and military accounts, took care of personal matters, and communicated with family members. During March and April 2003, nearly 10,000 Soldiers logged more than 327,000 minutes at this facility, providing substantial training efficiencies, but just as importantly, it was a great boost to Soldier and family morale. These same assets are currently being used throughout the organization to facilitate command and control for readiness of operating forces at levels never before available. Other examples are spread across the country, where Guardsmen are using newly provided capabilities to improve efficiency, effectiveness and morale.

Another initiative is the development of the Virtual Mission Preparation capability. This is being used as a prototype to provide a web-based, portal technology that delivers the capability to portray real-time status of units and their overall mobilization readiness down to the individual Soldier level. It was developed in Pennsylvania in support of the 28th Division's rotation to Bosnia, and is now being applied to Operation Iraqi Freedom, and to the 56th Stryker Brigade of the Pennsylvania Army National Guard. Virtual Mission Preparation provides functionality that has application across the Army National Guard to improve deployability, as well as the capability to meet Army, Defense Department and emergency response mission requirements.

The Bureau, through initiatives managed by the Communications directorate and the Chief Information Officer, is ensuring that the vision of supporting the warfighter and transforming the Guard is supported through an approach that casts off the old lock-step, stove-pipe method to Information Technology and moves to a truly interconnected, net-centric information sharing capability.

### ***Transforming the Mobilization and Demobilization Process***

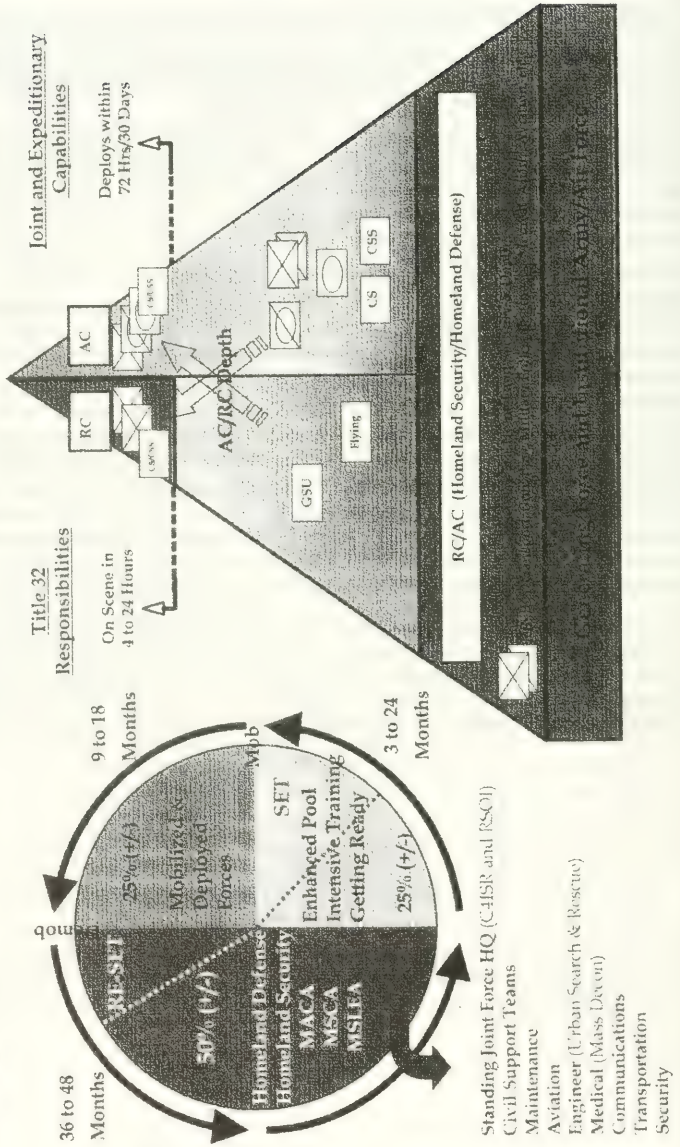
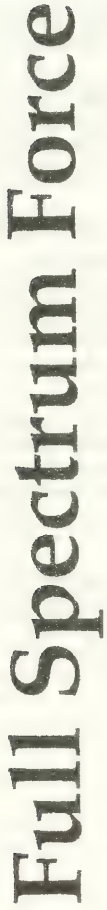
Today's global environment does not allow for the luxury of time that our current Cold War era-mobilization process requires. The modern, smaller, all volunteer military needs access to the reserve components within days or weeks—not months.

The U.S. Joint Forces Command was tasked by the Secretary of Defense to coordinate the development of a more agile and responsive process to mobilize units and individuals within the reserve components. As a result of this tasking, the command established "Tiger Teams" that consisted of subject matter experts from the reserve and active components, defense agencies, and the Joint Staff to study the mobilization process and make recommendations.

The Bureau fully participated in the workshops, endorsed the recommendations of these teams, and is working closely with the U.S. Joint Forces Command to improve the readiness and accessibility of the National Guard for its federal mission. In order for this to occur, the reserve components must be funded at a higher level of readiness and the mobilization process must be updated so that the efficiencies of automation and training during the course of the year can be capitalized upon.

The lead agency within the Bureau for this effort is the newly--organized Directorate of Logistics. They are the point of contact for all coordination and inquiries by the Office of the Secretary of Defense and combatant commands regarding logistical and mobilization matters as they relate to the National Guard. In the past, the Army and the Air National Guard had no Bureau-level counterpart to interface with the Office of the Secretary of Defense or with joint commands. The joint Directorate of Logistics fills this void and is designed to strengthen the interoperability of the Bureau with the other services and components.

In addition to spearheading our efforts to reform the mobilization and demobilization process, the directorate is an active member of a newly formed multi-government agency committee of senior logisticians that is chartered to develop a National Logistics Strategy to support the National Response Plan. The group is working with U.S. Northern Command to identify all logistics sources to support Homeland Defense and Homeland Security needs.







# Transformation Imperatives

<u>Strategic Reserve</u>		<u>Operational Force</u>
Active Service Draft	→	Volunteer/Recruited Force
Ample time for buildup	→	No/limited notice
Time-phased, overseas fight	→	Any time/any where
Threat-based force	→	Capabilities-based force
Linear formations	→	Modular units
Symmetric threats	→	Asymmetric threats
Single service/component	→	Joint/multi-component/multinational



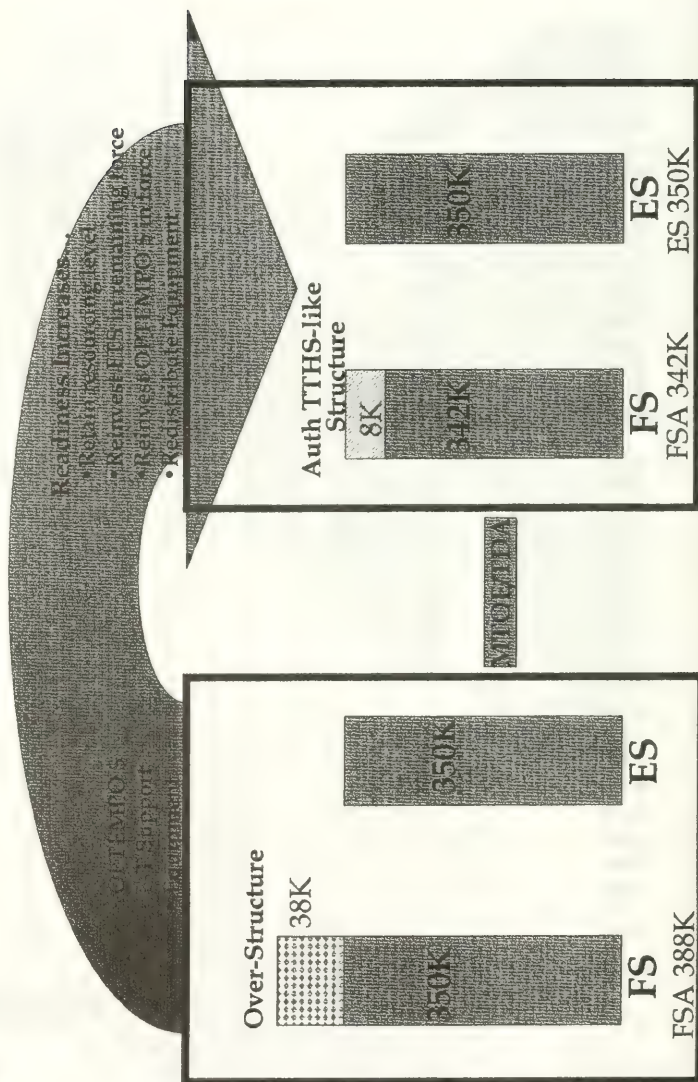
*Minuteman*  
*values and missions*  
*transcend time*



*Constitutional Militia = Operational Force (since 1636)*



# Relevant and Ready



STATEMENT BY  
LTG JAMES R. HELMLY  
CHIEF, ARMY RESERVE  
DEPARTMENT OF THE ARMY

BEFORE THE

SUBCOMMITTEE ON TOTAL FORCE  
COMMITTEE ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES

SECOND SESSION, 108TH CONGRESS

RESERVE TRANSFORMATION and RELIEVING STRESS  
on the RESERVE COMPONENTS

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COMMITTEE ON ARMED SERVICES

## INTRODUCTION

Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity and the privilege to testify on behalf of the 211,000 Soldiers, 12,000 civilian employees, and the families of the United States Army Reserve, an integral component of the world's greatest Army; an Army at war for a nation at war. I'm Ron Helmly, and I'm an American Soldier in your Army, and proud of it.

Today as we speak, nearly 60,000 Army Reserve Soldiers are on active duty in Iraq, Kuwait, Afghanistan, in the continental United States, and elsewhere around the world as part of America's global war on terrorism, serving courageously and proudly. They are joined by another 151,000 Army Reserve Soldiers training and preparing for mobilization or resting and refitting after being demobilized. These modern-day patriots are your neighbors who live in your communities, work in your factories, teach your children, deliver your babies, your mail, and share your everyday lives. They have willingly answered the call to duty to perform missions they have trained for, and to honor their commitment as part of a responsive and relevant force, an essential element and indispensable component of the world's finest land force, the United States Army.

The strength and added value we bring to that partnership is drawn from the people who serve in our formations. With nearly 25 percent of its Soldiers female, and more than 40 percent minority, the Army Reserve is the most ethnically and gender-diverse force of all the armed services. Overall, 92 percent of our force holds high school diplomas. Our force consists of individuals who are community and industry leaders, highly trained and educated professionals, experts in their chosen fields who give of their time and expertise to serve our nation.

Since September 11, 2001, more than 100,000 Army Reserve Soldiers have served on active duty as part of the global war on terrorism. Tragically, 21 Army Reserve Soldiers have made the ultimate sacrifice in service to our nation to keep their



fellow citizens and their families and neighbors safe and free. We are deeply in their debt and honor their memories by our actions here today.

## THE CHALLENGE

Your invitation to testify comes at a time of profound and unprecedented change and challenge in the dynamics of our nation's security environment. Since September 11, 2001, we have been embroiled in a war with wily, determined enemies, who are intent on destroying our very way of life. In this global war on terrorism, we are confronting regional powers; facing the potential use of weapons of terror and mass destruction at home and abroad; and struggling with the challenges of how to secure our homeland while preserving our precious rights and freedoms. From the start, we have understood that this will be no brief campaign or a short war. It will be an enduring global war, a protracted war, a long struggle that lacks clear, well-defined borders. Have no doubt, it is a war. It challenges our national will and our perseverance. It tries our patience and our moral fiber. It is a war different, just as all previous wars have been different. Unlike previous wars the Army fought here on our own soil, where we in the armed services must be continually ready to carry out our mission when and where the nation calls.

As we engage these enemies we recognize that carrying out current missions is not by itself sufficient. The very forces that cause this war to be different have propelled the world into a period of unprecedented change and volatility. We live in a much-changed world and we must change to confront it. We must simultaneously confront today's challenges while preparing for tomorrow's. The Army will maintain its non-negotiable contract to fight and win the nation's wars as we change to become more strategically responsive and dominant at every point across the spectrum of military operations. The confluence of these dual challenges, transforming while fighting and winning, and preparing for future wars, is the crux of our challenge - *transforming while at war*.

Last year was my first opportunity to address this subcommittee as the Chief, Army Reserve. I told you then that I was humbled and sobered by that responsibility. That feeling remains and indeed has grown more profound. The Army Reserve is an organization that daily demonstrates its ability to be a full and equal partner, along with the Active component of the Army and the Army National Guard, in being the most responsive dominant land force the world has seen. Together with the Marine Corps, Navy, Air Force, and Coast Guard, the Army Reserve of your Army fights as part of the joint team: the sum of the parts is much greater – and that's the power we bring to the battlefield today.

#### ALL-VOLUNTEER FORCE

A critical issue that should be recognized is that this is the first extended duration war our nation has fought with an all-volunteer force. January marked the 30<sup>th</sup> anniversary of the all-volunteer force. This tremendous policy change in our Nation has brought the Army Reserve, and the Armed Forces, an unheard of quality of people. Yet the all-volunteer force also brings expectations and sensitivities that we must confront with regard to how we support our people, and how we train them, and how and when we employ those people.

Title 10 of the United States Code directs the Army Reserve to provide units and Soldiers to the Army, *whenever* and *wherever* required. Since 1973, the Active and Reserve components have met this challenge with a force of volunteers, men and women who have freely chosen to serve their nation. Perhaps more than any other policy decision, this momentous move from a conscript force to a force, Active and Reserve, manned solely by volunteers has been responsible for shaping today's armed forces, the most professional and capable military the world has seen. Working through this sea change in how we lead our force has highlighted differing challenges that we simply must recognize and address if we are to maintain this immensely capable force.

During a recent conference celebrating 30 years of the All-Volunteer Force (AVF) policy, former Secretary of Defense Melvin Laird discussed its genesis. He explained that while from the start, it was understood that the policy would apply to the Total Force, in reality, after the AVF was established, the focus tended to be almost exclusively on manning the Active component -- understandable since it was the tip of the spear. But as a result, manning the Reserve components became, in effect, an accidental by-product of manning the Active component. This lack of a deliberate focus has hindered the development of force-manning policies that recognize the unique nature of Reserve service. As a result, the "one weekend a month and two weeks in the summer" paradigm was created. For almost three decades, that paradigm has remained largely intact. The world has witnessed major change since we started relying on an all-volunteer force. And yet we, in the Army Reserve, allowed the continuance of expectations for our most critical element -- our people -- our volunteers -- for a world that no longer existed.

To meet the demands of our nation and the needs of our Army and joint force team, we must change the way we man the Army Reserve, we must change the way we organize, train, and prepare the force, and to accomplish this change, the culture must change. This is a period of change from the old to the new. Forging a new paradigm is akin to the depth of change the Department of Defense endured when transitioning from a conscript force to an all-volunteer force. But we must forge this change while simultaneously continuing the fight in the current war. We are not afforded the luxury of hanging a sign outside the US Army Reserve Command headquarters that says, "Closed for Remodeling." The culture must change from one that expects "one weekend a month, two weeks in the summer" to one that understands "I am, first of all, a Soldier, though not on daily active duty, before and after a call to active duty I am expected to live Army values; I am expected to prepare for mobilization as if I knew the day and the hour that it would come. I use my civilian skills and all that I am to perform my military duties. I understand that I must prepare to be called to active duty for various periods of time during my military career while simultaneously advancing my civilian career."

The Army Reserve is part of a public institution founded in law. Our mission and our responsibility come from this law. I would like to note that the law does not say for big wars, little wars, short wars or medium wars, it says whenever our Army and our armed services and our nation require us, we are to provide trained units and qualified individuals. We must change to continue fulfilling the mandate of that law while simultaneously perfecting and strengthening the quality force we have today.

## ACCOMPLISHMENTS

The past year has been a full one for your Army Reserve, marked by great efforts and remarkable achievements. Among the most significant have been:

### At War - Army Reserve Soldiers Called to Active Duty in 2003

In 2003, the Army Reserve called to active duty and deployed nearly 70,000 Soldiers, more than 30 percent of the Army Reserve's 205,000 Selected Reserve end strength, to Afghanistan, Iraq, Kuwait, and theaters around the world in support of Operations Enduring Freedom, Iraqi Freedom, Noble Eagle, and other contingency operations.

### 377<sup>th</sup> Theater Support Command Operates Logistics on the Battlefield

The seamless integration of the Army's Active and Reserve components was epitomized by the Army Reserve's 377<sup>th</sup> Theater Support Command during Operation Iraqi Freedom (OIF). The 377<sup>th</sup> was redeployed to OIF after performing as the senior logistics headquarters during Operation Enduring Freedom. Once redeployed, the 377th TSC (headquartered in New Orleans) supported OIF, and reported directly to the Combined Forces Land Component Command.



The joint and coalition flavor that the 377th brought to the fight is a historic first. From the early hours onward, the 377th supported combat operations from Kuwait throughout the entire battle space into Iraq. The headquarters commanded over 43,500 Soldiers during the buildup of forces and subsequent combat phase of OIF, and consisted of 8 general officer commands and 8 area support groups. The 377th TSC helped shape the theater logistical footprint and was responsible for supporting the reception, staging, onward movement, and integration of all coalition forces, in addition to many other logistical support operations.

Of particular note were the 377th's accomplishments in seaport of debarkation operations in Kuwait. This included the largest wartime combined/joint logistics over the shore operation in over 50 years, at the Kuwait Naval Base. These operations involved over 150 ships, 31,000 personnel, 4,900 wheeled/tracked vehicles, over 6,000 ammunition and general containers, over 29,000 ammunition and general pallets, and over 2,500 other pieces of cargo. The base was operated by units of 377th and the Army Reserve's 143rd Transportation Command (headquartered in Orlando).

#### Three Consolidated and Streamlined Support Commands Established

- *Army Reserve Personnel Command (AR-PERSCOM) Merged with Human Resources Command (HRC)*

Effective 2 October 2003, the St. Louis, Missouri-based Army Reserve Personnel Command inactivated and merged with the Total Army Personnel Command to form the U.S. Army Human Resources Command (HRC). The HRC envisions becoming the nation's premier human resources provider. The HRC mission is to execute the full spectrum of human resources programs, services, and systems to support the readiness and well-being of Army personnel worldwide.

The HRC executes Army personnel policies and procedures under the direction of the Department of the Army G-1. It integrates, manages, monitors, and coordinates

military personnel systems to develop and optimize utilization of the Army's human resources in peace and war. HRC is the activity within the Department of the Army responsible for managing the Individual Ready Reserve (IRR) and Standby Reserve. The HRC will also plan for and integrate civilian personnel management and processes to attain a fully integrated HR focus.

- *Army Reserve Engineers Integrated with DA ACSIM*

Effective 1 October 2003, the Army Reserve Engineers, formerly known as the Office of the Chief, Army Reserve (OCAR) Engineer Staff and the US Army Reserve Command (USARC) Engineer Staff, transferred to the Army's Assistant Chief of Staff for Installation Management (ACSIM) and Headquarters, Installation Management Agency (IMA).

The former OCAR Engineer Staff (Arlington, VA) was integrated as a separate division within the Department of the Army, ACSIM, as the ACSIM-Army Reserve Division (ACSIM-ARD). The former USARC Engineer Staff (Atlanta, GA) was integrated as a separate division within the HQ, IMA, as the IMA-Army Reserve Division (IMA-ARD). The IMA-ARD is split-stationed between Arlington, VA and Atlanta, GA.

The ACSIM-ARD and IMA-ARD program, plan, and execute base operations support (e.g., environmental, maintenance and repair, and sustainment) and military construction functions on behalf of the Army Reserve and its more than 900 Army Reserve centers worldwide and two power projection platform installations (Fort Dix, NJ and Fort McCoy, WI).

- *Army Reserve Chief Information Office (CIO) Merged with DA CIO/G-6*

At a 25 June 2003 signing ceremony, the Department of the Army CIO/G-6 and I formalized a memorandum of agreement that integrates the Army Reserve, CIO into the Department of the Army CIO/G-6.

The Army Reserve counts communication and signal technology as one of its core capabilities – an enduring skill-rich capability across the spectrum of operations. With this integration, the Army Reserve demonstrates a commitment to both the transformation of the Army and to a common/single Army enterprise. With this integration, the Army Reserve Enterprise Integration Office will continue to be responsible for C4/IT planning, programming, budgeting, and execution support for all related Army Reserve appropriations. The Department of the Army CIO/ G-6 will provide resource guidance and policy oversight, ensuring that Army Reserve C4/IT requirements are integrated and validated as part of broader Army requirements.

#### FEDS\_HEAL Program Expanded and Improved

The Army Reserve Surgeon's office worked with the Veteran's Administration to expand and improve the Federal Strategic Health Alliance (FEDS\_HEAL) program. This initiative includes the addition of consolidated medical and dental records review, centralized appointment scheduling, dental treatment, vision examinations and eyeglass and lens insert procurement, and support to Soldier readiness processing activities.

The year began with a concerted effort to enhance Soldier readiness in support of Operation Iraqi Freedom. This resulted in 85,000 records being reviewed by the FEDS\_HEAL Program Office, which subsequently initiated and completed 48,000 physical examinations, 31,000 dental examinations, 3,200 dental treatment services, 71,000 immunizations (not including Anthrax), 22,500 Anthrax immunizations, and 1,000 vision examinations. The effort has been sustained via routine SRP support

across the nation. The effect has been to increase readiness and minimize processing time and the frequency of non-deployable Soldiers being called to active duty.

In addition, the effectiveness of FEDS\_HEAL was enhanced by the program's extension to the Army National Guard, Air Force Reserve, six Active component dental treatment facilities, and the occupational health programs of the Army National Guard and Reserve.

## GROWING CONTRIBUTIONS

Prior to Operations Desert Shield and Desert Storm, Army Reserve Soldiers provided minimal support to military missions. That all changed with the first Gulf War, when almost 95,000 Army Reserve members were called to active duty – and they not only responded but performed that duty well, contributing over 14 million duty days of support. Since that war, the Army Reserve provided between 1 million and 4 million duty days annually to total force missions until the terrorist attacks of September 11, 2001. Once again the Army Reserve has responded quickly and continuously with over 95,000 members serving on active duty and providing nearly 16 million duty days of support to the Active forces in FY03.

The increased personnel tempo became steady-state even before September 11<sup>th</sup> as our Reserve Soldiers took their places among the rotational forces that are still keeping the peace in Eastern Europe. Our military police, medical, civil affairs, and public affairs Soldiers continue to provide their skills and capabilities in Operations Joint Endeavor and Joint Guardian in Bosnia and Kosovo.

In the wake of the events of September 11<sup>th</sup>, came the global war on terrorism, Operation Noble Eagle in the United States, and the subsequent campaign, Operation Enduring Freedom in Afghanistan and Kuwait. Civil affairs units made up of Army



Reserve Soldiers who possess civilian-acquired and sustained skills in the fields of engineering, city planning, and education were deployed to the region to lead in reestablishing a free, functioning society. Numerous new schools were built and medical aid provided to the people of Afghanistan. These Soldiers represent the goodwill and interests of the American people with every classroom they build and every skill they teach, every functioning social capability they help create, and every contact they make with the native population. And your Army Reserve Soldiers are doing an incredible job.

In Operation Iraqi Freedom our troops have liberated Iraq and brought down Saddam Hussein. Today they remain, boots on the ground, helping restore the fabric of Iraqi society and its infrastructure and return self-determination to the people of Iraq who are free for the first time in more than 30 years.

No one expects this mission to be completed soon or the war on terrorism to be won quickly. Both will try our patience and test our resolve as a nation and as an Army. Both will require new organizational and institutional paradigms and expectations if we are to prevail in our present endeavors and prosper in future ones. The world will remain a dangerous and unstable place for the foreseeable future. We must so organize ourselves and our efforts that we have the institutional endurance and robustness to accomplish our missions effectively, efficiently, and definitively.

#### THE IMPERATIVE FOR CHANGE

Despite the clear relevance and strength demonstrated by these examples, we, the Army as an institution, are not without our challenges. First and foremost, we, the Army Reserve, must evolve as an institution to accommodate the changes in our environment. The division-oriented, set-piece battles of the past now share the stage with conflicts in which smaller interchangeable units will be combined in formations tailored to meet specific threats and situations and to offer the combatant commander

the capabilities he needs to contain and defeat the enemy, and prevail upon the shifting, asymmetrical battlefields of the twenty-first century.

## ARMY RESERVE RESPONSE

The Army Reserve is moving to meet that challenge, preparing changes to training, readiness and policies, practices, and procedures. We are restructuring how we train and prepare the force by establishing a Trainee, Transient, Holdee, and Student Account, much like the Active Army, to manage our force more effectively. We are preparing plans to support the continuum of service concept recently proposed by the Office of the Secretary of Defense, which would allow ease of movement between Army components as dictated not only by the needs of the Army, but also by what is best for the Soldier developmentally and educationally. We are excited by the potential of such transition proposals.

### Federal Reserve Restructuring Initiative (FRRI)

Our initiatives concerning the management of individuals and units in the Army Reserve are the catalyst of the evolving Army Reserve – The Federal Reserve Restructuring Initiative. Six imperatives are necessary in order for the Army Reserve to change to a 21<sup>st</sup> century force. These imperatives are: re-engineer the call to active duty process; transform Army Reserve command and control; ensure ready units; implement human resources life cycle management; build a rotational base in our force; and re-engineer individual Soldier capabilities.

## Call to Active Duty Reform

Changing our industrial-age, Cold-War era call-to-active-duty and mobilization process remains a critical component to realizing the capabilities and potential of our highly skilled, loyal and sacrificing Soldiers. The nation's existing process is designed to support a traditional, linear, gradual build-up of large numbers of forces and equipment and expansion of the industrial base over time. It follows a construct of war plans for various threat-based scenarios. *It was designed for a world that no longer exists.* Today, multiple, operational requirements, unclear, uncertain, and dynamic alliances, and the need for agile, swift, and decisive combat power, forward presence in more responsive ways, and smaller-scale contingency operations, demand a fundamentally different approach to the design, use, and rotation of the Army Reserve forces. Rather than a "force in reserve," the Army Reserve has become and serves more as a complementary force of discrete specialized, skill-rich capabilities and a building block for teams and integrated units of capabilities, all essential to generating and sustaining forces. The process of accessing and employing these forces must be overhauled completely to become more efficient, flexible, and responsive to the nation's needs, yet sensitive to, and supportive of the Soldier, the family and the civilian employer. To do this we require a more decentralized, agile, and responsive process that accommodates the mission requirement while simultaneously providing greater predictability for soldier, family, and employer.

Changing the way we employ Soldiers starts with changing the way we prepare for calls to active duty. The current process is to alert a unit for calls to active duty, conduct administrative readiness preparations at home station, and then send the unit to the mobilization station for further administrative and logistical preparedness processing and to train for deployment. This alert-train-deploy process, while successful in Desert Shield/Desert Storm, today inhibits responsiveness. By changing to a train-mob-deploy model, and dealing with administrative and logistical requirements prior to active duty, we will reduce the time needed to bring units to a campaign quality level needed for operations. This will require us to resource more training events at

home station through the use of devices, simulators and simulations. As you would expect, this shift in paradigms will increase pre-call-to-active-duty OPTEMPO beyond the current statutory level and will require greater effort and resources to achieve. We are confident that the increased costs will pay significant dividends in terms of readiness and deployability.

#### Realigning Force Command and Control

Our evolutionary force structure journey actually began 10 years ago and is accelerating rapidly today. In 1993 we reorganized to produce a smaller, more efficient, and more effective structure. Our overall strength was reduced by 114,000 Soldiers, or 36 percent, leaving us with a 205,000-Soldier statutory end strength today. We continue our journey from a Cold-War Army Reserve force to our current, fully engaged Army Reserve, to a changed, even more responsive and capable future Army Reserve force that will include a rotational capability. In the 1990s, we cut the number of our Army Reserve commands by more than half and re-invested those resources into capabilities such as medical and garrison support units as well as Joint Reserve units. We reduced the number of our training formations by 41 percent and streamlined our training divisions to better meet the needs of the Army and its Soldiers. Our journey continues today as we mature plans for further realignments and force structure initiatives. Between FY05 and FY08, we will reduce our force structure by 35,000 spaces, reinvesting those into remaining units in order to man them at 100 percent. Simultaneously, we will redesign the remaining force into more capable modular organizations and reduce the number the number of general officer functional commands and the number of general officer command and control headquarters subordinate to the Army Reserve Command.

The Army Reserve is the nation's repository of experience, expertise, and vision regarding Soldier and unit calls to active duty. We do have forces capable of mobilizing in 24 hours and moving to their active duty stations within 48 hours, as we demonstrated in response to September 11<sup>th</sup>. This norm of quick and precise calls to



active duty ability will become institutionalized in the processes and systems of the future and give our forces the ability to marshal Army Reserve Soldiers rapidly and smoothly.

#### Trainees, Transients, Holdees, and Students (TTHS) Account

The most immediately effective methods for improving Army Reserve unit readiness is to harvest the personnel authorizations (spaces) associated with those units whose historical missions have been largely overtaken by events and whose consequent relevance to war plans and missions has been significantly reduced or eliminated all together. These spaces can then be used as a holding account that increases unit readiness by removing unready Soldiers from troop program unit spaces. Currently, unready Soldiers are carried on the rolls for a variety of reasons and reported as unavailable to fill force authorized positions. With the creation of the TTHS account, these unready Soldiers will be assigned to the TTHS account where they will be trained and managed until they can be assigned to a unit in a duty-qualified status.

This procedure can be accomplished within existing manpower and funding levels. This initiative will improve the quality of service for individual Soldiers and relieve unit commanders of a major administrative challenge thus enabling them to better focus on calls to active duty and readiness activities.

The TTHS account will be used to manage vacancies and the assignment of qualified Soldiers to authorized positions, thus increasing retention with a positive Soldier-oriented life-cycle management program.

#### Individual Augmentee Program and Continuum of Service

In today's operational milieu, there is a growing need to establish a capability-based pool of individual Soldiers with a range of specialties who are readily available, organized, and trained for calls to active duty and deployment as individual

augmentees. In spite of numerous force structure initiatives designed to man early deploying Active Army and Reserve component units at the highest possible levels, a requirement remains for individual specialists for unforeseen, unplanned-for-contingencies, operations, and exercises. Therefore, I have directed the establishment of an Individual Augmentee Program within the Selected Reserve to meet these needs.

The Individual Augmentee Program is intended to meet real-world combatant commander requirements as validated in the Worldwide Individual Augmentation System (WIAS). Additionally, this program will preclude the deployment of individual capabilities from Active or Reserve component units, adversely affecting their readiness, cohesion, and future employment effectiveness. This program will allow Soldiers to participate at several levels of commitment, and supports the Office of the Secretary of Defense proposal for a continuum of service that enables service members to move more easily between their services' components during their careers.

#### Rotating the Force

While changing industrial-age mobilization, personnel, training, and development policies is necessary, restructuring our force so that we can implement predictable and sustainable rotations based upon depth in capability is also necessary. We are committed to achieving a capability ratio that will manage Army Reserve deployments to once every four or five years. Predictable and sustainable utilization is a key factor in maintaining Soldier, family, and civilian employer support. One of the goals of transforming our force is to change policies that are harmful to Soldiers and families. Predictable rotation schedules will allow the Army Reserve to continue to be a long term source of skill-rich capabilities for small scale contingency conflicts and follow-on operations. Properly executed, predictable rotations will provide our units with operational experience; provide a sense of fulfillment for our Soldiers; impart a sense of order for our Soldiers, and even out the work load across the force. The recent changes to the Operation Enduring Freedom and Operation Iraqi Freedom rotational schedules are an important step in establishing those rotational capabilities.

## Rebalancing the Force

There has been considerable concern raised about what is viewed as excessive reliance on the nation's Reserve components both for small-scale operations such as the Balkans rotations and for long-term contingency operations such as Operations Enduring Freedom and Iraqi Freedom. While only 33 percent of Army Reserve troop strength is currently called to active duty, and while that level of usage does not seem extreme, raw numbers alone do not tell the whole story. Some units, notably, military police and truck transportation units are in fact over-extended, and it is true that some types of units that have been used more in the war on terrorism than others. Military police, civil affairs, military intelligence, transportation and biological detection and surveillance capabilities are the highest in utilization. We are committed to eliminating these pockets of specialty over-stress by increasing the number of some units in both the Active component and the Army Reserve and Army National Guard.

The Department of Defense is currently deeply involved in determining how to rebalance the Active-Reserve component force mix to mitigate the effects of over-use of particular specialties. Currently, 313 Standard Requirement Codes (types of units) are found exclusively in the Army Reserve. The Army Reserve has been able to meet the challenges with this structure thus far, but clearly the structure requires change and perhaps augmentation to meet the continuing demand for these skill-rich capabilities that are more practically sustained in a Reserve component force.

## Recruiting and Retention

Recruiting and retention is an area of the highest importance to the Army Reserve and a volunteer force. Our responsibilities require the best Soldiers America can provide. In this regard, we are most appreciative of the help your subcommittee has provided us. We would be remiss if we did not thank you for the attention you have paid to our recruiting needs in recent legislation. With your help we have met our

recruiting mission for four straight years from 2000 to 2003. In FY2004, however, we are 182 accessions short of expected year-to-date mission out of a projected 10, 156 accessions. While this is cause for some concern, I am not alarmed over this because we are currently at 103 percent strength.

Although generally successful in overall mission numbers, we continue to experience difficulty in attracting and retaining qualified individuals in certain critical wartime specialties. Your continued support on behalf of recruiting and retention incentives, allowing for innovative readiness training and the funding of continuing health and educational opportunities will help us with this difficult task.

The Army Reserve, in partnership with the United States Army Accessions Command, has conducted a thorough review of Army Reserve recruiting. This review has helped us forge a stronger relationship with the Accessions Command and has streamlined our processes to support the symbiotic relationship between recruiting and retention. To that end, we will seek to ensure that all Army Reserve Soldiers are involved in recruiting and retention activities - we all are a part of the Army's accessions efforts. We are removing mission distracters allowing the Accessions Command to focus on their core competency of recruiting non-prior service applicants; we are focusing on life cycle personnel management for all categories of Army Reserve Soldiers and our retention program seeks to reduce attrition, thereby improving readiness and reducing recruiting missions.

During 2003, the responsibility for the entire prior service mission transferred from the Accessions Command to the Army Reserve. Tenets of this transfer included: establishment of career crosswalk opportunities between recruiters and retention transition NCOs; localized recruiting, retention and transition support at Army Reserve units, and increased commander awareness and involvement in recruiting and retention efforts.



To support recruiting and retention, the Army Reserve relies on non-prior service and prior service enlistment bonuses, the Montgomery GI Bill Kicker, and the Student Loan Repayment Program in combinations that attract Soldiers to fill critical MOS and priority unit shortages. The Army Reserve must be able to provide a variety of enlistment and retention incentives, for both officer and enlisted personnel, in order to attract and retain quality Soldiers. Fully funded incentive programs must be available to ensure success in attaining recruiting goals and maintaining critical shortages and skills.

As for the retention of this all-volunteer force, during the mid-eighties, at the height of the Cold War, the Army Reserve averaged a 36-38 percent officer and enlisted attrition at a time when we were *never* used. Today, after 8 continuous years of calls to active duty and use since 1997, we are averaging 24-26 percent attrition. Interestingly, the retention rates appear to be higher in those units that get called to active duty than in those that are not called. Our Soldiers feel the pressure, they understand the sacrifice, and they recognize their contributions to the common good and their fellow citizens. They are proud and they are determined. I am profoundly impressed by their performance, their commitment, and their dedication every day.

Historically, our retention program has been a success. Faced with an enlisted attrition rate of 37.5 percent at the end of FY 1997, we adopted a corporate approach to retaining quality. Retention management was an internal staff responsibility before FY 1998. In a mostly mechanical approach to personnel management, strength managers simply calculated gains and losses and maintained volumes of statistical data. Unfortunately, this approach did nothing to focus commanders on their responsibility of retaining their most precious resource — our Soldiers.

In response, the Army Reserve developed the Commanders Retention Program to correct this shortcoming. A crucial tenet of this program places responsibility and accountability for retention with commanders at every level of the organization. Commanders now have a direct mission to retain their Soldiers and must develop annual retention plans. Additionally, first line leaders must ensure all Soldiers are

sponsored, receive delivery on promises made to them, and are provided quality training. In this way, the Commanders Retention Program ensures accountability because it establishes methods and standards and provides a means to measure and evaluate every commander's performance.

Since the introduction of the Commanders Retention Program, the Army Reserve has reduced enlisted troop program unit attrition by nearly 12 percentage points. The enlisted attrition rate in FY 2003 was 25.5 percent.

The attrition rate for FY 2004 is projected to increase to 30.4 percent, due to an increase in the Expiration of Term of Service (ETS) population, expected retirements as well as recalls to active duty. The exact impact of demobilization of troops rotating out of theater having served in OIF1 and OEF3 remains to be seen. The next several months will tell the tale as stop-loss provisions are lifted 90 days after our troops are released from active duty.

Overall, the Army Reserve successfully accomplished its FY 2003 recruiting mission while achieving the Department of the Army and Department of Defense quality marks. Beginning FY2004, the Army Reserve transitioned the U.S. Army Recruiting Command (USAREC) from a contract recruiting mission to a ship mission as well as began a three-year phased implementation of the Delayed Entry Program (DEP) similar to the Active Army. To support these efforts the Army Reserve recruiting mission will increase over the next three years and will stabilize by FY07. The purpose of these two initiatives is to better utilize our training seat resources and to reduce overall unit attrition. The accomplishment of the recruiting mission will demand a large investment in time on the part of our commanders, our retention NCOs, and our recruiters as they are personally involved in attracting the young people in their communities to their units.

However, the same environmental pressures that make non-prior service recruiting and retention difficult also affect prior service accessions. With the defense drawdown we have seen a corresponding decrease in the available prior service market

in the Individual Ready Reserve. This affects Army training costs, due to the increased reliance on the non-prior service market, and an overall loss of knowledge and experience when Soldiers are not transitioned to the Army Reserve. Consequently, the Army Reserve's future ability to recruit and retain quality Soldiers will continue to be critically dependent on maintaining competitive compensation and benefits.

The Army Reserve is currently experiencing a shortfall of 4,200 company grade officers. Retention goals focus commanders and first line leaders on junior officers. The establishment of a sound leader development program is a cornerstone of Army Reserve transformation. Providing young leaders the opportunity for school training and practiced leadership will retain these officers. A transformed assignment policy will enhance promotion and leader development. Increased Army Reserve involvement in transitioning officers from active duty directly into Army Reserve units will keep young officers interested in continuing their Army career. Allowing managed flexibility during their transition to civilian life will be a win for the Army and the officer.

Special attention needs to be placed on the recruiting budget, for advertising, to meet our requirements in the next several years. Young people of today need to be made aware of the unique opportunities available in the different military components. The best way to get this message out is to advertise through the mass media. Funding our critical advertising needs is imperative if we are to be honestly expected to meet our recruiting goals. Your continued support of our efforts to recruit and retain quality Soldiers is essential if we are to be successful.

#### Family Programs

A functional family readiness program is important in peace and critical in war. Family programs provide invaluable family assistance during peacetime and calls to active duty, to include training for family program directors and volunteers in support of

family readiness activities. These volunteers and contract employees provide information referral and outreach to family members and deployed Soldiers. Within this system are 25 contractors serving in family program director positions whose duties include aiding in promoting families' awareness of benefits and entitlements, orienting family members to Army Reserve systems, programs, and way of life.

In preparation for calls to active duty deployment, these volunteers and staff provide an extensive briefing for both families as well as Soldiers. These family services include briefings by members of the Chaplains Corps who explain what happens to spouses or families upon separation. We also provide briefings when the service member returns and coach the family members to expect changes upon the Soldier's return to home.

The average Army Reserve soldier is older and more likely to be married than the average active component soldier. While all families face hardships when their soldier is called to the colors, Army Reserve families have additional challenges as they generally do not live near an installation that can provide services. While historically we have relied extensively on volunteers, experience has shown we must increase the amount of full time staff available for families. We will soon have 25 additional family readiness group assistants positioned in locations where they can assist geographically isolated families of mobilized soldiers. We also have begun the process of accreditation to ensure the program delivers a consistent level of service to families. We continue to work on obtaining more resources for the program.

During Desert Shield/Desert Storm Army Reserve family readiness programs were sparse. Today, these programs are extensive, and they are providing a support network for our families. We have been able to meet the needs of our deployed Army Reserve Soldiers and will continue to do so. We are anticipating challenges in the future.



## Information Technology

### Network Service/Data Center

The Army Reserve is redesigning its information technology infrastructure to support the global war on terrorism and greatly increase the survivability of our information technology infrastructure in the event of a cyber or physical attack. This redesigned infrastructure will establish a network service/data center that supports the continental United States. With this redesign, the Army Reserve would have the technological capability to sustain existing Army systems or field new Army systems to meet readiness requirements. The redesign will also enhance the timely dissemination of information supporting command and control of areas of mobilization, training, and overall data exchange.

### Force Protection

The Force Protection program within the Army Reserve is designed to provide security and preparedness to meet the full spectrum of threats facing Army Reserve facilities and stand-alone facilities worldwide. The program is an integrated set of five security activities: physical security, anti-terrorism, law enforcement, information operations, and installation preparedness.

The timely and accurate flow of threat information is the foundation of the overall Force Protection program within the Army Reserve. Vulnerability and risk assessments coupled with current threat information provides a solid crisis management planning platform for the Army Reserve stand alone facilities and installations.

The Army Reserve Force Protection program enables commanders to prioritize facilities and focus resources using a proven decision making methodology. The Army Reserve Force Protection program is being used to dramatically repair and upgrade facilities, train leaders and integrate security programs to ensure fully capable units are available to support combatant commanders in the Global War on Terrorism.

Installation Preparedness concentrates on detailed planning, integrated training and for the coordinated response of first responders such as fire, police and emergency services to incidents involving weapons of mass destruction or industrial accidents and disasters on or near Army Reserve facilities and installations.

The Army Reserve is challenged with its existing military and civilian manpower structure. To sustain the current Force Protection program and meet the demands of emerging requirements, we must expand contract requirements for physical security, anti-terrorism vulnerability and risk assessments, force program leader training and exercise planning for the entire Army Reserve.

Currently, the Army Reserve meets installation access control requirements, but sustainment of access control combined with the additional stand alone facility level security requirements associated with the global war on terrorism has become a challenge.

Funding to support these critical security programs will allow the Army Reserve to continue to repair facilities, train leaders, and integrate security programs to ensure fully capable units are available to support combatant commanders in the global war on terrorism.

#### Equipment Procurement and Modernization

Increasing demands placed on the Army Reserve highlight the importance of equipment that is mission-essential. In addition, the increased use of Reserve forces in

operational missions and the global war on terrorism has highlighted the importance of having compatible and modern equipment. In order for our Soldiers to be able to seamlessly integrate on the battlefield, our equipment must be operationally and technically compatible. Without complete interoperability, the ability of the Army Reserve to accomplish its combat support and combat service support missions would be diminished. The need to quickly and efficiently deploy Army Reserve units invalidates the old Cold War planning that Army Reserve units will have sufficient mobilization time to replace non-interoperable equipment or fill shortfalls deliberately accepted as "necessary risk." Retaining older, less effective equipment or filling the Army Reserve's authorized levels of equipment only partially, leads to delays as a limited pool of Army Reserve equipment is transferred between deploying, redeploying and non-deploying units and Army Reserve Soldiers are trained or retrained to operate more modern equipment, they did not have access to during drills and annual training. The National Guard and Reserve Equipment Appropriation (NGREA) has been a significant and essential tool to improve the Army Reserve through force modernization.

Meeting these challenges requires not only that the Army Reserve be issued modern, interoperable equipment, but that the resources to maintain the readiness of this equipment also be provided. Sufficient funding needs to be provided to allow the Army Reserve to reach higher standards of readiness than currently maintained as an element of risk accepted by the Army under constrained budgets. Until the Army Reserve can be fully equipped with modern items, sustaining the combat and deployment readiness of the equipment currently on hand is essential. This requires full funding of operations and maintenance requirements and continuing support of the Army's depot maintenance program, which is vital to maintaining the readiness of Army Reserve equipment, while extending service life, reducing life cycle costs and improving safety for Army Reserve Soldiers.

Combat support and combat service support transformation is a vital link to the Army Transformation Plan. The Army Reserve is the main provider of this capability for the Army and the Army must continue to modernize the Reserve components along a

timeline that ensures the Reserve components remain interoperable and compatible with the Active component. The Army Reserve is continuing to support the Army's Transformation through the assignment of equipment from Army Reserve units to Army prepositioned stocks (APS) and stay-behind equipment (SBE) in Iraq and Afghanistan.

Equipment modernization of the Army Reserve is indispensable in meeting the goals of the Army's Transformation Campaign Plan. Full integration into the Army's modernization plan to implement force interoperability enables our units to deliver required combat service and combat service support ensuring our Army's operational success.

#### Facility Revitalization

The Army Reserve installation community proudly sustains two of the Army's major installations and 12 regional support commands. These regional commands function as "virtual installations" with facilities in 1,160 communities across all 50 states, United States territories, and in Europe.

Our primary facilities, Army Reserve centers, are prominent symbols of The Army on Main Street America. They often create the very first impressions of the entire Army and present a permanent billboard for all Americans to see. Unfortunately, most Army Reserve facilities consist of 1950's era structures that remain virtually the same as when they were constructed. They are sorely in need of modernization or, as in most cases, replacement.

Army Reserve Soldiers train in widely dispersed training centers and support facilities worldwide, whose 40 million square feet of space equates to more square footage than Forts Hood, Sill and Belvoir combined. Our facilities experience the same type of challenges active Army posts do. The impacts of poor facility conditions are even more acute for our Soldiers. Overcrowded, inadequate and poorly maintained



facilities seriously degrade our ability to train and sustain units as well as sapping Soldier morale and esprit de corps.

## SUMMARY

In today's national security environment, the Army Reserve has many challenges -- we accept these without hesitation. These challenges find expression in our reliance on Reserve component forces in contingency operations. Historically our nation has placed great reliance on Reserve components of Soldiers, Marines, Sailors, and Airmen to expand the armed forces for operations during time of war. As BG David Fastabend notes in his unpublished white paper, *Serving a Nation at War; a Campaign-Quality Army with a Joint and Expeditionary Mindset*, "Although the fundamental nature of war is constant, its methods and techniques change chameleon-like to match the strategic context and capabilities at hand." We must also change to accommodate the twenty-first century strategic context and operational reality. This global war on terrorism, as our president has described, is a long-term campaign of inestimable duration, fought in many different places around the world. The issues we have brought to you today -- changing how we man, train, prepare, maintain, and resource our force recognizes the commander-in-chief's intent to prepare for future wars of unknown duration in places we have yet to fight and against enemies who threaten our freedoms and security.

We are grateful to the Congress and the Nation for supporting the Army Reserve and our most precious resource, our Soldiers -- the sons and daughters of America.

Thank you.

NOT FOR PUBLICATION  
UNTIL RELEASED BY THE  
HOUSE ARMED SERVICES  
COMMITTEE

STATEMENT OF  
VADM JOHN G. COTTON, U.S. NAVAL RESERVE  
CHIEF OF NAVAL RESERVE  
BEFORE THE  
HOUSE ARMED SERVICES COMMITTEE  
TOTAL FORCE SUBCOMMITTEE  
ON  
GUARD AND RESERVE ISSUES  
31 MARCH, 2004

NOT FOR PUBLICATION  
UNTIL RELEASED BY THE  
HOUSE ARMED SERVICES  
COMMITTEE



*The United States Navy*



# United States Navy Biography

Vice Admiral John G. Cotton

United States Naval Reserve

Chief of Naval Reserve

Commander, Naval Reserve Force.

Vice Admiral John G. Cotton graduated from the U. S. Naval Academy in June 1973 with a degree in Aerospace Engineering. Earning his wings in October 1974, he became a third generation pilot — his father was a Naval Aviator and his grandfather flew with the Lafayette Flying Corps in WW I. He was forward deployed to Japan from June 1975 to April 1978 flying the A-7 *Corsair II* with VA-93 aboard *USS Midway* (CV-41), and then served on the Commander Light Attack Wing U.S. Pacific Fleet staff at NAS Lemoore, Calif., from April 1978 to January 1980.

Becoming a commercial airline pilot, he affiliated with the Naval Reserve at NAF Washington in April 1980, and later flew with VA-2082, the A-7B augment unit at NAS New Orleans. He then transferred back to NAF Washington for RF-8G reconnaissance pilot training with VFP-6366 in February 1982, and served in the Navy's last *Crusader* squadrons, VFP-306 and VFP-206.

Vice Adm. Cotton returned to VA-2082 in April 1987 and became CO a year later. Moving next door to VA-204 in July 1989, he completed FA-18 *Hornet* strike fighter and adversary pilot transition training in 1991, and commanded the VFA-204 "River Rattlers" from July 1993 to September 1994. The squadron received the 1993 CNO Safety "S" Award completing 13 years of major mishap

free operations, the 1994 Battle "E" and F. Trubee Davison award as the top reserve tailhook squadron, and a CNO Meritorious Unit Commendation.

Vice Adm. Cotton was CO NAS Keflavik 1066 at NAF Washington from October 1994 to September 1996, and received the 1995 Rear Admiral Stanley David Griggs "Excellence in Leadership" Memorial Award. In October 1996, he became CO Navy Command Center 106 at the Pentagon, and additionally served as an instructor at the Command Leadership School at NETC Newport, R.I.

Vice Adm. Cotton's initial Flag assignment was Deputy Commander Naval Air Force U.S. Atlantic Fleet, from October 1997 to September 1999 in Norfolk, Va. Recalled to active duty from November 1997 to March 1998, he served as Deputy Commander Joint Task Force Southwest Asia, Riyadh, Saudi Arabia, supporting *Operation Southern Watch* and *Desert Thunder*.

Recalled to active duty from October 1999 to July 2000, he served as Deputy Director of Naval Reserve N095B. He then served as Deputy Director of Air Warfare N78B, and from October 2000 for three years, he was Assistant Deputy Chief of Naval Operations Warfare Requirements and Programs N6/N7R.

Appointed by the Secretary of Defense, he was a member of the Reserve Forces Policy Board from March 2000 to October 2003.

Following nomination by the President and Senate confirmation in October 2003, Vice Adm. Cotton took a leave of absence from his job as an American Airlines pilot to return to active duty as Chief of Naval Reserve and Commander Naval Reserve Force.

Personal awards include the Legion of Merit, Defense Meritorious Service, Meritorious Service, Navy Commendation, and Navy Achievement Medals. He has over 4200 hours of military flight time and is a graduate of Executive and Reserve Component Programs at the Naval War College, Naval Postgraduate School, National Defense University, Army War College, Harvard University and the Massachusetts Institute of Technology.

*Updated: 12 January 2004*

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## I. OPENING

Mr. Chairman and members of this subcommittee, thank you for the opportunity to speak with you today about some of the important changes that are happening in the Navy and its Reserve, and to give you a report on our accomplishments and current state of readiness.

As we look back, we see clearly that the tragic attack on our country on September 11, 2001, and the operations that followed, prompted significant changes for the Armed Forces, including the Guard and Reserve. Members of the National Guard and the Reserve have been called upon more in this global war on terrorism than at any other time since World War II. The Chief of Naval Operations (CNO) has said, "Change to make us better is completely necessary...to make our Navy even better and to build the 21<sup>st</sup> century Navy, and the Reserve is a key part of our growth and our future."

We are meeting the CNO's challenge head on, changing our culture and the shape of the force, moving away from an obsolete Cold War construct to one that provides tailorable, flexible capability in support of 21<sup>st</sup> century warfighting. Active-Reserve Integration is about more than gaining business efficiencies...it is about capitalizing on the skills, dedication and patriotism of the citizen-Sailors that make up our force. The Navy's Reserve will be structured, equipped and trained to complement the capabilities inherent in SeaPower 21, and will leverage technology to take advantage of skills and abilities carried by our Sailors on the coasts and in the heartland of America.

Integration is a journey, and we are sharing this voyage with our active component shipmates. The CNO and senior fleet leadership have taken ownership of their Reserve, from recruiting and training, to equipment and readiness. The fleet is identifying the capabilities it will require the Navy's Reserve to provide, an input that the active and reserve components together will use to design and shape the force. This new sense of ownership will build closer day-to-day operational relationships and allow for the seamless connection of total force capabilities in the right place, and at the right time.

To enable recapitalization of the Navy, CNO has directed that efficiencies be realized in all areas of operations, and in both Active and Reserve components. The Navy is fully integrating its Reserve into the new Fleet Response Plan (FRP) through both unit level and individual augmentation during day-to-day operational support, while maintaining the ability to mobilize reservists and equipment to support expanded surge operations around the globe. The fundamental construct of FRP is a surge-ready fleet, able to sail to any troubled spot in the world, swiftly defeat the enemy, and then reconstitute in minimum time. Therefore, the Navy and its Reserve will continually be in a surge status requiring minimum time to reset. Experienced and trained Reserve personnel are ideally suited for this surge capability. The basic 24 drill days per year and 14 days of annual training are provided at 20% of the cost of full time personnel, and they leverage prior Navy investment in training and maintain a continuum of service. Most reservists have both fleet experience and critical civilian skills to contribute to this concept of efficient utilization, and will fit perfectly into the unique surge mission requirements of the Navy's Reserve as envisioned in SeaPower 21.

The Navy's Reserve has always been and will continue to be an important element of the Navy's Total Force. In the Chief of Naval Operations' own words, "... with the Navy's Reserve playing such a vital role in our day to day operations, it is imperative that we continue to properly assess and fund reserve personnel and readiness requirements now and in the future." The Navy's Reserve contributes daily to support fleet operations and provides critical surge and sustainment capabilities to meet real world contingencies. However, to remain relevant, reservists must be even more accessible, flexible and adaptable to better support fleet operations both at home and abroad. Every structural change being considered for the future is intended to ensure that the Navy's Reserve remains an important element of the Navy Team. Providing a more tightly integrated force creates the opportunity for Reservists to train, deploy and operate alongside their active counterparts using current doctrine, concepts and tactics, as well as the most modern equipment in the Navy's inventory.

The Navy is evolving, and its Reserve is in step with the changes. For instance, Navy is aligning missions by capabilities and has created Fleet Forces Command to meld the fleets into a single, integrated force. The first change we made to support this alignment was to assign both the Commander, Naval Reserve Force (CNRF) in Washington, DC, and Commander, Naval Reserve Forces Command (CNRFC) in New Orleans, LA, "additional duty" to Commander, Fleet Forces Command (CFFC) in Norfolk, VA. For the first time ever, one fleet commander acting for all other Navy commanders, is conducting a Zero Based Review (ZBR), where every Reserve unit and billet is being reviewed for capability relevance and alignment with fleet requirements, and then forwarded to CNO for inclusion in future budget deliberations and requests. The Navy's Reserve will continue to provide mission capable units and individuals to

the Navy-Marine Corps team throughout the full range of operations, from peace to war, and will do so in a much more efficient and integrated manner. The Navy has taken charge of its Reserve Force to further enable it to provide predictable and effective support to the fleet, ready and fully integrated, in the most efficient manner possible.

## **II. NAVY RESERVE PRIORITIES FOR 2004**

The Reserve's priorities have been aligned with those established by CNO for the entire Navy.

### **PRIORITY #1: MANPOWER**

Manpower is, and will remain, the Navy's number one priority. The Navy competes for the best people, and we are engaged on two fronts: recruiting the right people and improving retention. The focus is on capabilities and our recruiting objectives will be driven by fleet requirements. We need to attract and retain smart and savvy sailors to employ the advanced technologies that we will rely on in the network centric future.

Navy leadership understands the consequences of sustained and repeated recalls on our reserve personnel, their families and employers. Our judicious use of individual and unit mobilizations has demonstrated the Navy's efficient, tailored and volunteer-based method of mobilization. Retention remains at an all-time high and post-mobilization surveys of recalled personnel indicate strong job satisfaction. Our proud, patriotic citizen-Sailors have, and will continue, to answer the call in defense of freedom and liberty. CFFC's integration initiative will



build on this success by increasing mission relevance, and ensuring that every reservist is delivering the capability and expertise required by the fleet and the Joint Force Commander.

We are pleased to report that recruiting remained strong in 2003. Last year we achieved 106 percent of our enlisted recruiting goal. Largely due to record high retention rates in the active duty Navy, 40 percent of these enlisted accessions were Non-Prior Service (NPS) personnel. While very qualified, many with advanced degrees, these NPS personnel require additional training before being assigned mobilizations billets. Officer recruiting, also challenged by high retention in active duty warfare designated communities, finished at 91 percent of the fiscal year goal. Our recruiters met goal last year for both officer and enlisted Full-Time Support personnel. The Navy's Reserve had an attrition rate of 17.8 percent in FY 2003, and ended the year manned at 100.2 percent of authorized end strength. Although we are pleased with our results in these important manpower categories for last year, FY 2004 brings similar challenges. We believe we can meet our recruiting goals in part because Reserve Recruiting became one of the first commands to fully align with their active duty counterpart. Commander, Naval Reserve Recruiting Command (CNRRC) in New Orleans, LA, became Commander, Naval Reserve Recruiting Region (CNRRR) and is now aligned with the Navy Recruiting Command (CNRC), in Millington, TN. We are very optimistic that prototype recruiting stations combining both active duty and full-time reserve recruiters opening this year will result in improved recruiting efficiencies. Furthermore, active duty commands are being directed to increase their efforts to keep trained and talented personnel leaving the active force on the Navy team by recruiting them directly into the Navy's Reserve. Keeping Navy veterans serving, especially those with critical skills and qualifications, is very important and has the support of the entire chain of command, both active and reserve.

Navy Reserve end strength requested in the FY 2005 President's Budget is 83,400, a decrease of 2,500 from FY 2004. This decrease is due primarily to the rebalancing of Naval Coastal Warfare units into the active component, the decommissioning of a Fleet Hospital, and Medical program billet reductions due to force restructuring. We expect that the requested end strength in this budget is sufficient for the Navy's Reserve to meet fleet requirements. However, ongoing initiatives and total force capability analysis may result in modifications to this target in the future.

## **PRIORITY #2: CURRENT READINESS**

During Operation IRAQI FREEDOM, the Navy had eight carrier strike groups, six expeditionary strike groups, and nearly 100,000 Sailors and Marines deployed around the world in support of the Global War on Terrorism. The near term goal for the Navy's Reserve is to provide a force shaped by fleet requirements and driven by SeaPower 21. To achieve this goal, we will continue to align with the Navy, measure risk, present options and rapidly move ahead with assignment of units and personnel to match requirements with capabilities. These assessments will be driven by the question: What resources can we apply that will enhance effectiveness and efficiency, and will contribute to warfighting wholeness? If the analysis indicates that the number of reservists should be adjusted to meet current requirements and future capabilities, we will make that happen. If that means that some equipment must be retired or realigned to support the active force, then we will ensure that the Navy's Reserve is integrated with the fleet and trains on and operates the Navy's newest, most capable platforms and systems.

Following the attack on USS COLE, the Navy recognized the immediate need for increased force protection and added 6,619 new active component and 1,379 reserve component anti-terrorism and force protection billets. Current readiness was also enhanced in the FY 2004 budget with funding to operate an additional frigate (FFG) in the Navy's Reserve Force, execute flying hours at 100 percent of requirement, and support ship maintenance to meet CNO's goal. Aviation depot maintenance funding was increased to ensure that 100 percent of CNO engine and airframe maintenance goals are achieved. In FY 2004, base support funding has been consolidated Navy-wide under Commander, Naval Installations to eliminate redundancies, generate economies of scale, and provide enhanced readiness support to shore activities, both Active and Reserve. It is expected that further efficiencies will be realized by combining base support for active and reserve personnel where overlaps and excess capabilities exist.

The very much appreciated National Guard and Reserve Equipment appropriation for FY 2004 provided readiness support modifications, upgrades and procurement of items for expeditionary warfare units, trainers and simulators to improve the availability of readiness training, as well to acquire eight Swiss F-5 aircraft to replace aging Reserve adversary training assets. The appropriation also included funds to complete the last two upgrades to Reserve F/A-18As to "A-Plus," providing precision strike capability and placing them on par with fleet F/A-18Cs. Funds were first applied to improve current readiness and then to enhance future readiness, and were coordinated with Navy warfare and resource sponsors.

**PRIORITY #3: FUTURE READINESS**

Improved accessibility and integration are the cornerstones of the Navy Reserve's contribution to future readiness. For example, full integration will ensure that Navy Reservists in aviation Fleet Response Units (FRU) will be able to quickly activate and support global operations under the CNO's Fleet Response Plan (FRP). Our vision is a reserve force that is better prepared and more capable for both unit and individual mobilization requirements. Co-locating our reserve personnel and hardware with their supported fleet units streamlines the activation process enabling individuals to train alongside, and be more familiar, with the units they will augment. Co-location enables FRU aircrews to train and operate state-of-the-art equipment, as well as leverage active force tactics and doctrine. Reserve experience and availability can also be used to provide onsite fleet support. Concurrently, retaining and strengthening the Squadron Augment Unit (SAU) concept continues the vital contribution that our experienced reserve instructor and maintenance cadre provides to the Fleet Replacement Squadrons (FRS). As an aside, every pilot flying combat missions in OPERATION ENDURING FREEDOM/OPERATION IRAQI FREEDOM was trained by dedicated and professional Navy Reserve aviators providing airwing adversary, Fleet exercise and training command support.

Under the guidance of Commander, Fleet Forces Command, the Navy has begun an initiative that will lead to a more integrated total force in which Navy Reserve capabilities are tied directly to active units in support of SeaPower 21 mission capabilities. The active component is currently engaged to clearly articulate requirements for the Navy's Reserve. CFFC's reserve integration cell will recommend the future Reserve force structure necessary to meet these fleet



capability requirements. Coordination has already begun with a complete zero-based review of Navy Reserve capabilities. Active duty commands have been tasked to identify their Reserve support requirements and to describe potential new capabilities they need from their Reservists to more readily meet their mission requirements.

To fully realize SeaPower 21, the Navy and its Reserve will align, organize, integrate and transform around the four warfighting pillars of Sea Strike, Sea Shield, Sea Base and FORCEnet. SeaPower 21 embodies a number of maritime capabilities that are in the domain of expertise the Navy brings to the Joint Force. To provide sufficient operational range and depth to many of these capabilities, and to efficiently and effectively meet its requirements as part of the Joint Force, Navy must leverage its investment in the extraordinary capabilities, critical skills, innovative nature, and entrepreneurial spirit of its reserve personnel.

We support the Secretary of Defense's goal of rebalancing the active-reserve component force mix to eliminate the need for involuntary mobilization, especially during the first 15 days of an operation. Our fiscal year 2005 budget submission reflects the additional active-reserve rebalancing changes needed for the Navy to meet this goal.

At present, no Homeland Defense/Homeland Security (HLD/HLS) mission has been assigned to the Navy's Reserve, but the Assistant Secretary of Defense for Reserve Affairs and the Assistant Secretary of Defense for Homeland Defense are conducting a study to determine the appropriate role of reserve components in these critical areas. Upon completion of the study, new and existing naval capabilities present in the Navy's Reserve could be assigned HLD/HLS

missions. These might include Harbor Defense, Port Security, Maritime Surveillance and Tracking, AT/FP roles, Joint Fires Network Units and maintenance of shipping channels. As we move forward, evolving missions will continue to influence our force shaping and integration initiatives, with the endstate being a more combat-capable Total Force.

#### **PRIORITY #4: QUALITY OF SERVICE**

Quality of Service is the combination of quality of life and quality of work. It is about achieving balance, personal *and* professional. The Navy will continue to strive to make available the best facilities and equipment to train, deploy and fight, and our Reservists will benefit from ongoing integration and alignment efforts. Ensuring that our Navy's Reservists can rely on predictability, periodicity, pay and benefits, will greatly assist each Sailor to achieve that balance.

- **Predictability:** Every Sailor in the Navy's Reserve wants to make a difference and needs to know with reasonable advance notice, when and where they will train or perform operational support, whether mobilized, on active duty orders or on routine drills. As part of a fully integrated force, Reservists will train or perform meaningful work that provides or enhances capabilities required by the fleet. Additionally, individual reservists will be able to anticipate drills and periods of active duty through processes that will track and match necessary skills to appropriate billets or orders.
- **Periodicity:** Individual reservists' availability varies during the year and with each employer. These periods of availability can be leveraged to enable each Sailor to provide

meaningful fleet support. "Flexible drilling" is encouraged to allow reservists to combine traditional drill weekends to work for a week once a quarter, two weeks every six months, or even for several weeks once a year to satisfy participation requirements. If a unit or individual is called to mobilize, reservists should receive as much notice as is possible, with a target of 30 days, to help minimize potential employer or family conflicts.

- **Pay and Benefits:** Reservists should be assured that their benefits will appropriately address their individual and family needs, whether serving at home or abroad.

Development of a single pay and benefits system continues to be a priority to standardize the administration of both active and reserve personnel in all services.

Continuous professional improvement is important to every Sailor, active and reserve. Accordingly, the Navy's Reserve is a full partner with the Navy in the Sea Warrior initiative, enabling an individual to easily access and monitor their career progression and future options. Navy Reservists have full access to both the Navy-Marine Corps Intranet (NMCI) as well as the Navy Knowledge Online (NKO) web portal, which connects every Sailor, active, reserve or retired, and families, to information that will significantly aid in their overall education, growth and development.

#### **PRIORITY #5: ALIGNMENT**

The Navy will continue to take an active role in optimizing the balance of active and reserve forces to support our National Military Strategy (NMS) and win the Global War on Terror (GWOT). We recognize that this balance is dynamic and we continuously review our force

structure and capability in order to improve integration and alignment. Integration provides the Navy's Reserve a path to current equipment, concepts and tactics, thereby increasing combat readiness and warfighting wholeness. Through integration, the Navy's Reserve will become a more capable and agile force with increased warfighting capability and a much-improved ability to meet fleet requirements.

In support of alignment and efficiency, we recently consolidated three Navy Reserve staffs in New Orleans into a single Echelon III staff to function as the provider of reserve capabilities to Fleet Forces Command. Commander, Naval Air Forces Reserve (CNAFR) has been assigned as Vice Commander Naval Reserve Forces Command, further aligning reserve capabilities under a single structure to work with the active component to fully align and integrate the Navy's Reserve. CNAFR has also been assigned additional duty to Commander, Naval Air Forces (CNAF) in San Diego, CA, to align active and reserve aviation capabilities.

We are embedding key Full-Time Support staff in headquarters, fleet and type commands. We have developed strategic linkages between Reserve Forces Command and Fleet Forces Command with tangible results, and continue to build new bridges throughout the Navy. This was done to more closely align reserve and active forces and to improve combat effectiveness and efficiency. These actions will strengthen ties between the Navy's active and reserve forces and are the first steps in an overall initiative that seeks to define, and subsequently forge a cohesive "total force" team that can more effectively satisfy the Navy's operational requirements. We will continue to identify and propose practical ways to better integrate reservists and equipment with the fleet, and have taken steps to accelerate and solidify our



integration efforts. We are also participating in a new officer exchange program with other Guard and Reserve components, starting with the Army National Guard. This initiative will lead to full integration at National Guard State Headquarters Command Units to support Northern Command's Homeland Security initiatives.

### III. ACCOMPLISHMENTS

Today's strategic environment requires naval forces that can rapidly deliver decisive combat power through a rotational, surge capable force. Operations ENDURING FREEDOM and IRAQI FREEDOM demonstrated not only the tactical value of this operational concept, but also the potent warfighting capabilities of a flexible, responsive maritime force, operating either independently or as part of a broader Joint Force. The Navy's Reserve played a significant role in the surge to war.

On September 17th, 2001, the first mobilization orders were sent to the force. Since that day, 4,537 officers and 18,436 enlisted personnel have been mobilized, providing operational support to either their supported commands or to Combatant Commanders around the world. With respect to OPERATION IRAQI FREEDOM, 12,046 Navy Reservists served their country in Navy and joint commands. While some units and equipment were mobilized in support of OPERATION IRAQI FREEDOM, we have been able to maximize individual mobilizations to support requirements submitted by Combatant Commanders, validated by the CNO's staff, and ordered to active duty by the Chief of Naval Personnel. For example, 362 drilling reservists were mobilized to augment the staff of Commander, U.S. Fifth Fleet, the Naval Component Commander for Commander, U.S. Central Command and other subordinate commands. These

Navy Reservists supported this active duty staff in the development of the OPERATION IRAQI FREEDOM air plan. Since January 2003, 478 Navy Reservists attached to Navy Cargo Handling Battalions across the United States were mobilized to facilitate the movement of cargo from bases in the United States and overseas to the Central Command area of operation theater in support of Operation IRAQI FREEDOM.

A group of Navy Reservists from Fort Worth, TX, made history on the decks of USS THEODORE ROOSEVELT (CVN 71). For the first time since the Korean War, an entire Navy Reserve tactical aviation squadron deployed aboard an aircraft carrier when the "Hunters" of Strike Fighter Squadron 201 were ordered to active duty. Completing a short notice workup, the squadron fully integrated with the active airwing, completed 224 combat sorties, delivered 125 tons of ordnance in combat, and impressed everyone with their experience, dedication and capabilities.

When 800 active duty medical personnel from the National Naval Medical Center (NNMC), Bethesda, MD embarked in USNS COMFORT in March 2003 and another 498 NNMC medical personnel deployed as part of Casualty Receiving and Trauma Ship's team members, 548 Navy Reservists were recalled to support the National Naval Medical Center. Civilian trauma and orthopedic surgeons were mobilized to treat the wounds of those Sailors and Marines who required more specialized care.

843 Naval Reservists have been activated to support Marine Forces during the war, including 592 enlisted corpsmen assigned to provide critical battlefield medical support to front-line

Marine units. 134 Navy Reserve corpsmen have recently been recalled to support the Marines' rotation in conjunction with Operation IRAQI FREEDOM II. Of these, 24 Reservists are volunteers for their second year of activation, while the remainder have just begun their first activation under the current partial mobilization authority.

Another success story was the mobilization of the "Firehawks" of Helicopter Combat Support Squadron Five (HCS-5) based at Naval Air Station North Island, CA, and their subsequent deployment to Iraq, where they continue to support CENTCOM operations. In March 2003, seventy percent of this squadron's Selected Reservists were recalled to active duty in preparation for Operation IRAQI FREEDOM. This squadron is composed solely of drilling Reservists and Full-Time Support personnel, and is one of two squadrons in the Navy dedicated to Naval Special Warfare support and combat search and rescue. The Firehawks fly the latest model of the HH-60H Seahawk helicopter and their average pilot has more than 12 years of experience flying, and most have over 2,500 military flight hours. Although the majority of their flights in the Iraqi theater have supported special operations ground force missions, the squadron has other warfighting capabilities. The Firehawks have participated in operations in urban areas and have assisted with medical and casualty operations. As of the 5<sup>th</sup> of March, 2004, the squadron had flown 916 sorties and logged 1,738 flight hours.

Navy Reservists from the Redwolves of HCS-4 based at Norfolk Naval Base will soon deploy to relieve the combat veterans of HCS-5. This critical capability embedded in the Navy's Reserve has proved to be invaluable in the support of special operations and the development of new tactics in the hostile urban warfare environment. It is a predictable and periodic capability

that was ready when called upon; just what the vision of future reserve contributions will be. They have trained with the special warfare units and now deploy with them to combat.

Recently, over five hundred members of the Navy Reserve Expeditionary Logistics Support Force have been mobilized in support of OPERATION IRAQI FREEDOM II, and it is anticipated that over five hundred Seabees will be mobilized as well. Their combat service support capabilities are in demand to help relieve the U.S. Army and coalition forces in Iraq.

#### IV. SUMMARY

Before I close, I would like to thank this committee for the support you have provided the Navy's Reserve and all of the Guard and Reserve components. Last year's budget included several positive benefits that will help us recruit and retain our talented personnel to better support the Navy and joint commands. As you can see, this is a very exciting period for the Navy and it's Reserve. The CNO has challenged every Sailor to review current ways of doing business and find solutions to improve effectiveness and find efficiencies. The Navy's Reserve has accepted the challenge and promises the members of this committee that we will continue to do just that – examine all facets of our operation to support the fleet and accelerate our Navy's advantage.



**DEPARTMENT OF THE AIR FORCE**

**PRESENTATION TO THE COMMITTEE ON ARMED SERVICES**

**SUBCOMMITTEE ON TOTAL FORCE**

**UNITED STATES HOUSE OF REPRESENTATIVES**

**SUBJECT: AIR FORCE RESERVE PROGRAMS**

**STATEMENT OF: Lieutenant General James E. Sherrard III**  
**Chief of Air Force Reserve**

**MARCH 31, 2004**

**NOT FOR PUBLICATION UNTIL RELEASED**  
**BY THE COMMITTEE ON ARMED SERVICES**  
**UNITED STATES HOUSE OF REPRESENTATIVES**

## Air Force Reserve

## 2004 Posture Statement

Mr Chairman, and distinguished members of the Committee, I would like to offer my sincere thanks for this opportunity, my last, to testify before you. As of 30 Sep 03, United States Air Force Reserve (USAFR) has a total of 8,135 people mobilized under Partial Mobilization Authority. These individuals are continuing to perform missions involving; Security, Intelligence, Flight Operations for Combat Air Patrols (CAPs), Communications, Air Refueling Operations, Strategic and Tactical Airlift Operations, Aero Medical, Maintenance, Civil Engineering and Logistics. The Partial Mobilization for the Global War on Terrorism (GWOT) is the longest sustained, large-scale mobilization in the history of the Air Force. AFR mobilizations peaked at 15,332 on April 16, 2003 during OIF with a cumulative 28,239 mobilizations sourced in every contingency supporting GWOT since September 11, 2001. Early GWOT operations driven by rapid onset events and continued duration posed new mobilization and re-mobilization challenges, which impacted OIF even though only a portion of the Reserve capability was tapped.

In direct support of Operation ENDURING FREEDOM (OEF), Operation IRAQI FREEDOM (OIF), and the Global War on Terrorism (GWOT), Air Force Reservists have flown a multitude of combat missions into Afghanistan and Iraq. The 93<sup>rd</sup> Bomb Squadron is an example of one of the many units to successfully integrate with active duty forces during combat missions in OEF and OIF. Reserve crews, which comprise eight percent of the conventional crews, flew on 42% of all B-52 combat missions during four combat deployments in support of these operations. The 93<sup>rd</sup> Bomb Squadron

performed many operations that were a first for B-52 operations as well as demonstrating maximum flexibility as a war-fighting unit. One of their B-52's was the first to employ Precision Strike Laser Guided Bomb self-designate capability using the LITENING II targeting pod. Reserve aircrews have also flown C-17 airland/airdrop missions into Afghanistan and Iraq delivering humanitarian aid and supplies for the warfighting effort. They also provided air refueling tanker crews and support personnel from the 434<sup>th</sup> Air Refueling Wing at Grissom ARB, Indiana (KC-135) and 349<sup>th</sup> Air Mobility Wing at Travis AFB, California (KC-10). Additionally, Air Force Reserve F-16 units have been involved in support of Operation NOBLE EAGLE (ONE) by flying combat air patrols over key American cities (301<sup>st</sup> Fighter Wing, JRB NAS Fort Worth, Texas, 482d Fighter Wing, Homestead ARB, Florida, and 419<sup>th</sup> Fighter Wing, Hill AFB, Utah). These units were also deployed at various times in support of OEF and OIF operations.

### **RECRUITING**

The Air Force Reserve continued to address new challenges in 2003. Partial mobilization persists, though it's reducing day-by-day, but volunteerism continues to be a significant means of contribution. Dedicated members of the Air Force Reserve continue to meet validated operational requirements. Recruiting and retention of quality service members is taking top priority for the Air Force Reserve Command (AFRC) and competition for these members among other services, as well as within the civilian community has reached an all-time high.

AFRC end strength for FY 2003 was 98.8 percent of authorized end strength.

Recruiting continues to pose other significant challenges as well. The pool of active duty separatees continue to shrink from its peak prior to force reduction over a decade ago,

and a perceived likelihood of activation and deployment are being cited as significant reasons why separating members are declining to choose continuing military service in the Reserve. These issues further contribute to the civilian sector's ability to attract these members away from military service.

The Air Force Reserve is developing a strategy to take advantage of an active duty Force Shaping initiative. Within this fiscal year, Air Force will offer active duty members the opportunity to use the Palace Chase program to change components. While the details are not fully approved, the Air Force Reserve may have an unprecedented opportunity to access prior service members in critical career skills.

We are hopeful that we will be able to preserve the training and experience of some 16,000 personnel who may take advantage of the opportunity to serve under Palace Chase, but we must ensure the right force mix and the right faces to match our vacancies – it's not just a "numbers drill".

One consequence of the reduced success in attracting separating members from Active Duty is the need to make up this difference through attracting non-prior service members. While having enough Basic Military Training and Technical Training School quotas has long been an issue, the increased dependence on non-prior service accessions strains these requirements even further.

### **RETENTION**

Though retention was enhanced through "Stop-Loss" in the previous two years, the eventual effects of this program may be felt in this fiscal year. Even though "Stop-Loss"



was terminated in June 2003, the six-month manning policy provides an additional period of relief. Coupled with the policy to establish a separation date six months from the end of re-deployment, if there will be a subsequent impact on retention, it will be felt in this fiscal year.

We continue to look for viable avenues to enhance retention of our reservists. The reserve enlisted bonus program is a major contributor to attract and retain both unit and individual mobilization augmentee members in those critical (Unit Type Code tasked) career fields. We successfully increased the prior service enlistment bonus amount to \$8,000 this past year for a maximum six-year enlistment in accordance with related legislative authority granted in 2003. We continue to explore the feasibility of expanding the bonus program across AFRC as determined necessary; however, no decision has yet been made to implement. The Aviation Continuation Pay (ACP), Career Enlisted Flyers Incentive Pay (CEFIP), and Aviation Career Incentive Pay (ACIP) continue to be offered to retain our rated assets, both officer and enlisted.

One of the most positive quality of life enhancements occurred when the Department of Defense reduced the required threshold for dependent eligibility for TRICARE Prime from 179 days of consecutive active duty to 31 days of duty. This threshold reduction allows for greater dependent health care for the vast majority of Reserve members serving on periods of active duty, and will greatly increase volunteerism across the force for a wide variety of requirements. Additionally, the 2004 NDAA provides for three temporary improvements to the overall TRICARE system for Air Force Reserve members: access to health care for inactive members and their dependents, provided they are eligible for unemployment compensation or not otherwise eligible for employer-

provided health care; earlier TRICARE eligibility for Air Force Reserve members with delayed effective-date activation orders; and finally, the period of time granted for transition health care coverage was expanded from 60 and 120 days up to 180 days for all members separating from active duty. These vast improvements in the TRICARE program, though temporary, will continue to pay dividends in the quality of life characterization for our Air Force Reserve members, and ultimately serve as a critical readiness tool.

### **Space Operations**

Air Force Reserve Command (AFRC) provides over 1100 trained space officer, enlisted, civilian, and contractor personnel at more than 15 locations to acquire, plan, launch, task, operate, assess, and protect more than 28 weapon systems at 155 units worldwide for Air Force Space Command, United States Strategic Command, Headquarters Air Force, National Reconnaissance Office, and others. An annual budget of over \$22M funds AFRC space operations and requirements providing command, control, computers, communication, intelligence, surveillance, reconnaissance (C4ISR), navigation, weather, missile warning, network security and force protection support to warfighters around the globe.

- Nine associate units at four locations operate Global Positioning System (GPS), Space-Based Infrared System (SBIRS), Defense Support Program (DSP), and Defense Meteorological Satellite Program (DMSP) satellites; fully integrate with the Network Operations and Security Center (NOSC) and Space AOC; conduct test and space aggressor activities; and provide security forces for land-based facilities

- Nearly 700 individual mobilization augmentees (IMAs) at more than 15 locations provide support in all areas of the 'cradle-to-grave' life cycle of national space assets
- AFRC space personnel have been fully involved in planning and executing military activities supporting Operations NOBLE EAGLE, ENDURING FREEDOM, IRAQI FREEDOM, and NORTHERN and SOUTHERN WATCH
- Reserve Associate Programs have been highly successful and are projected for additional growth in the future. Associate unit concepts being studied include space control, launch operations, ICBM communications, and Space Operations School

#### **Associate Program**

The Air Force Reserve Command (AFRC) Associate Program meshes reserve units with active-duty units at bases throughout the United States. AFRC units use host aircraft and equipment for their training and work directly with their active duty counterparts. Associate mobility units fly C-141 Starlifter, C-5 Galaxy, and C-17 Globemaster III transports along with KC-10 Extender and KC-135 Stratotanker tanker aircraft. In the spring of 1996, AFRC began filling aircrew and maintenance support personnel positions in the 513<sup>th</sup> Air Control Group, an E-3 Sentry Airborne Air Control System unit.

AFRC is continuing to expand the scope of the associate program into new mission areas. New units supporting Air Education and Training Command's undergraduate pilot training program are being managed by the 340<sup>th</sup> Flying Training Group located at Randolph Air Force Base, Texas, and the 301<sup>st</sup> Fighter Squadron, F-16 associate

instructor pilot program at Luke Air Force Base, Ariz. AFRC has an associate fighter unit at Shaw Air Force Base, S.C., associate pilots flying F-16s with the "Aggressor" squadron at Nellis AFB, Nev., and an associate flight test unit integrated with the Federal Aviation Administration.

The flexibility of the Associate program allows for the effective and efficient use of highly trained AFRC aircrew members. Associate units also provide aircraft maintenance personnel to maintain the active duty aircraft ensuring the utilization of our air frames to the maximum extent.

The 919<sup>th</sup> Special Operations Wing, Duke Field, Fla., trains in one of the U.S. military's most unique missions – special operations. Wing aircraft include MC130E Combat Talon I aircraft equipped for use in night/adverse weather, low-level, deep-penetration tactical missions. These aircraft have also been modified to conduct air-to-air refueling with special operations helicopters. In February 2000, the 8<sup>th</sup> Special Operations Squadron (active duty) joined the 711<sup>th</sup> SOS at Duke Field as a reverse associate unit – meaning active duty personnel fly reserve-owned aircraft. The 919<sup>th</sup> SOW manages all Talon I aircraft in the Air Force inventory. This is a first for Air Force Special Operations Command and the second time in Air Force history since the EC-121 mission.

The wing also flies the MC-130P Combat Shadow aircraft (5<sup>th</sup> SOS), which has been modified with new secure communications, self-contained inertial navigation, countermeasures systems and night vision goggle-compatible lighting. The aircraft's primary mission is to conduct single-ship or formation in-flight refueling of special operations helicopters in a low to selected medium-threat environment. On October 1,



1999, the 5<sup>th</sup> SOS moved to Eglin AFB to join the 9<sup>th</sup> SOS (active duty) as an associate Reserve unit. This marked another first in the special operations mission area.

Finally, as mentioned above, the Associate program in the space operations arena is rapidly expanding.

Associate units provide several benefits and enhancements to include the following:

- Force multiplier which increases surge capability for war time or contingencies
- Continuity as AFRC forces provide stability and a service option for departing active duty personnel
- Experience as Reservists tend to have more years of service and bring invaluable civilian experience and knowledge to the military
- Efficiencies due to Reserve cost savings and sharing of weapon systems and equipment.

### MODERNIZATION

Effective modernization of Air Force Reserve assets is a key issue to remaining a relevant and combat ready force. It has been and continues to be apparent that the Reserve Component is crucial to the defense of our great nation. The events of September 11<sup>th</sup> cemented the Total Force initiatives already in place and Air Force Reserve Command (AFRC) is working shoulder-to-shoulder with the Active Duty and Air National Guard components in the long battle to defeat terrorism. Even before 9/11, USAFR was an active participant in day-to-day AF operations. USAFR is no longer a force held in reserve solely for possible war or contingency actions — we are an Operational Reserve,

at the tip of the spear. It is therefore imperative that we remain a relevant and combat ready force for the future.

Our modernization strategy is sound but is dependent upon lead command funding. Lead command funding of AFRC modernization priorities continues to be one of our challenges. We continue to work with the Department of Defense and the Department of the Air Force to address our requirements. We greatly appreciate your support for the increase to the National Guard and Reserve Equipment Authorization (NGREA) funding in the FY 2004 NDAA, as we strive to utilize the best technological advances available to us, to keep our people safe in current theaters of operations. Success in meeting our modernization goals depends on our cohesive and focused approach to accepting new mission areas, while ensuring the continued success of current mission areas and robust interaction with the lead commands, as well as, keeping Congress informed of USAFR initiatives.

### **FLEET MODERNIZATION**

#### **F-16 Fighting Falcon**

Air Combat Command and AFRC are upgrading the F-16 Block 25/30/32 in all core combat areas by installing Global Positioning System (GPS) navigation system, Night Vision Imaging System (NVIS) and NVIS compatible aircraft lighting, Situational Awareness Data Link (SADL), Targeting Pod integration, GPS steered "smart weapons", an integrated Electronics Suite, Pylon Integrated Dispense System (PIDS), Digital Terrain System (DTS), and the ALE-50 (towed decoy system). The acquisition of the LITENING II targeting pod marked the greatest jump in combat capability for AFRC F-16s in years. At the conclusion of the Persian Gulf War, it became apparent that the

ability to employ precision-guided munitions, specifically laser-guided bombs, would be a requirement for involvement in future conflicts. LITENING II Advanced Technology (AT), an upgrade to LITENING II, affords the capability to employ precisely targeted Laser Guided Bombs (LGBs) effectively in both day and night operations, any time at any place. This capability allows AFRC F-16s to fulfill any mission tasking requiring a self-designating, targeting-pod platform, providing needed relief for heavily tasked active-duty units. AFRC will complete the purchase of AT upgrade kits and finish pod purchases for the F-16 this fiscal year. These improvements have put AFRC F-16s at the leading edge of combat capability. The combination of these upgrades are unavailable in any other combat aircraft and make the Block 25/30/32 F-16 the most versatile combat asset available to a theater commander.

Tremendous work has been done keeping the Block 25/30/32 F-16 employable in today's complex and demanding combat environment. This success has been the result of far-sighted planning that has capitalized on emerging commercial and military technology to provide specific capabilities that were projected to be critical. That planning and vision must continue if the F-16 is to remain useable as the largest single community of aircraft in America's fighter force. Older model Block 25/30/32 F-16 aircraft require structural improvements to guarantee that they will last as long as they are needed. They also require data processor and wiring system upgrades in order to support employment of more sophisticated precision attack weapons. They must have improved pilot displays to integrate and present the large volumes of data now provided to the cockpit. Additional capabilities are needed to eliminate fratricide and allow weapons employment at increased range, day or night and in all weather conditions. They must also be equipped

with significantly improved threat detection, threat identification, and threat engagement systems in order to meet the challenges of combat survival and employment for the next 20 years.

### **A/OA-10 Thunderbolt**

There are five major programs over the next five years to ensure the A/OA-10 remains a viable part of the total Air Force. The first is increasing its precision engagement capabilities. The A-10 was designed for the Cold War and is the most effective Close Air Support (CAS) anti-armor platform in the USAF, as demonstrated during Desert Storm, OEF and OIF. Unfortunately, its systems have not kept pace with modern tactics as was proven during Operation ALLIED FORCE. The AGM- 65 (Maverick) is the only precision-guided weapon carried on the A-10. Newer weapons are being added into the Air Force inventory regularly, but the current avionics and computer structure limits the deployment of these weapons on the A-10. An interim solution using Avionics Interface Modules to integrate LITENING II targeting pods was developed by the Air Reserve Component to bring added combat capability quickly to the battlefield. This capability must be integrated permanently to bring full precision strike abilities to the fight. The Precision Engagement and Suite 3 programs will further expand this combat capability and help correct limitations of aged systems. Two other programs, Embedded GPS and Integrated Flight and Fire Control Computer (IFFCC) will increase the navigation accuracy and the overall capability of the fire control computer, both increasing the weapon system's overall effectiveness.

One of the A-10 challenges is resources for upgrade in the area of high threat survivability. The Avionics to EW Buss modification will enhance survivability by



providing some automated flare dispensing. Previous efforts have focused on an accurate missile warning system and effective, modern flares; however a new preemptive covert flare system may increase survivability. The A-10 can leverage the work done on the F-16 Radar Warning Receiver and C-130 towed decoy development programs to achieve a cost-effective capability. In an effort to increase loiter time, we are installing fire suppressant foam in our Sergeant Fletcher external fuel tanks, allowing removal of current flight restrictions regarding use of the external tanks in combat scenarios. Next, critical systems on the engines are causing lost sorties and increased maintenance activity. Several design changes to the accessory gearbox will extend its useful life and reduce the existing maintenance expense associated with the high removal rate. However, the A/OA-10 has a thrust deficiency in its operational environment. As taskings evolved, commanders have had to reduce fuel loads, limit take-off times to early morning hours and refuse taskings that increase gross weights to unsupportable limits. AFRC A/OA-10s need upgraded structures and engines.

### **B-52 Stratofortress**

In the next five years, several major programs will be introduced to increase the capabilities of the B-52 aircraft. Included here are programs such as a Crash Survivable Flight Data Recorder and a Standard Flight Data Recorder, upgrades to the current Electro-Optical Viewing System, Chaff and Flare Improvements, and improvements to cockpit lighting and crew escape systems to allow use of Night Vision Goggles.

Enhancements to the AFRC B-52 fleet currently under consideration are:

- Visual clearance of the target area in support of other conventional munitions employment

- Target coordinate updates to JDAM and WCMD, improving accuracy; and
- Bomb Damage Assessment of targets.

In order to continue the viability of the B-52 well into the next decade, several improvements and modifications are necessary. Although the aircraft has been extensively modified since its entry into the fleet, the advent of precision guided munitions and the increased use of the B-52 in conventional and OOTW operation requires additional avionics modernization and changes to the weapons capabilities such as the Avionics Midlife Improvement (AMI), Conventional Enhancement Modification (CEM), and the Integrated Conventional Stores Management System (ICSMS). Effective precision strike capability was proven during OEF/OIF using LITENING II Targeting Pods. Permanent targeting pod integration is needed to retain this capability in the future. Changes in the threat environment are also driving modifications to the defensive suite including Electronic Counter Measures Improvement (ECMI). Modifications to enhance stand off jamming capability are also under way to bring the B-52 into the AEA arena. The B-52 in the AEA configuration will provide the United States Air Force with the capability to deny, deceive, and destroy the enemy.

The B-52 was originally designed to strike targets across the globe from launch in the United States. This capability is being repeatedly demonstrated, but the need for real time targeting information and immediate reaction to strike location changes is needed. Multiple modifications are addressing these needs. Advanced weapons integration programs are needed for Joint Air to Surface Standoff Missile (JASSM), Joint Standoff Weapon (JSOF), and Miniature Air Launched Decoy (MALD) capability to be fully realized. These integrated advanced communications systems will enhance the B-52

capability to launch and modify target locations while airborne. Other communications improvements are Link 16 capability for intra-theater data link, the Global Air Traffic Management (GATM) Phase 1, an improved ARC-210, the KY-100 Secure Voice, and a GPS-TACAN Replacement System (TRS).

As can be expected with an airframe of the age of the B-52, much must be done to enhance its reliability and replace older, less reliable or failing hardware. These include a Fuel Enrichment Valve Modification, Engine Oil System Package, and an Engine Accessories Upgrade, all to increase the longevity of the airframe.

### **MC-130H Talon**

In 2006, AFRC and Air Force Special Operations Command will face a significant decision point on whether or not to retire the Talon I. This largely depends on the determination of the upcoming SOF Tanker Requirement Study. Additionally, the MC-130H Talon II aircraft will be modified to air refuel helicopters. The Air Force CV-22 is being developed to replace the entire MH-53J Pave Low fleet, and the MC-130E Combat Talon I. Ultimately, supply/demand will impact willingness and ability to pay for costly upgrades along with unforeseeable expenses required to sustain an aging weapons system.

### **HC-130P/N Hercules**

Over the next five years, there will be primarily sustainability modifications to the weapons systems to allow it to maintain compatibility with the remainder of the C-130 fleet. In order to maintain currency with the active duty fleet, AFRC has accelerated the installation of the APN-241 radar as a replacement for the APN-59. All AFRC assets

will be upgraded to provide Night Vision Imaging System (NVIS) mission capability for C-130 combat rescue aircraft. Necessary upgrades include defensive capability for the increasing infrared missile threat such as the Large Aircraft Infrared Countermeasures (LAIRCM) system.

### **HH-60G Pave Hawk**

Combat Search and Rescue (CSAR) Mission Area modernization strategy currently focuses on resolving critical weapon system capability shortfalls and deficiencies that pertain to the Combat Air Force's Combat Identification, Data Links, Night / All-Weather Capability, Threat Countermeasures, Sustainability, Expeditionary Operations, and Para rescue modernization focus. Since the CAF's CSAR forces have several critical capability shortfalls that impact their ability to effectively accomplish their primary mission tasks today, most CSAR modernization programs/initiatives are concentrated in the near-term (FY00-06). These are programs that:

- Improve capability to pinpoint location and authenticate identity of downed aircrew members/isolated personnel
- Provide line-of-sight and over-the-horizon high speed LPI/D data link capabilities for improving battle space/situational awareness
- Improve Command and Control capability to rapidly respond to "isolating" incidents and efficiently/effectively task limited assets
- Improve capability to conduct rescue/recovery operations at night, in other low illumination conditions, and in all but the most severe weather conditions
- Provide warning and countermeasure capabilities against RF/IR/EO/DE threats



- Enhance availability, reliability, maintainability, and sustainability of aircraft weapon systems

Work continues on the Personnel Recovery Vehicle (PRV), a replacement for the ageing HH-60G helicopter sometime in the 2011 timeframe.

### **C-130 Hercules**

AFRC has 127 C-130s including the E, H, J and N/P models. The Mobility Air Forces (MAF) currently operates the world's best theater airlift aircraft, the C-130, and it will continue in service through 2020. In order to continue to meet the Air Force's combat delivery requirements through the next 17 years, aircraft not being replaced by the C-130J will become part of the C-130X Program. Phase 1, Avionics Modernization Program (AMP) program includes a comprehensive cockpit modernization by replacing aging, unreliable equipment and adding additional equipment necessary to meet Nav/Safety and GATM requirements. Together, C-130J and C-130X modernization initiatives reduce the number of aircraft variants from twenty to two core variants, which will significantly reduce the support footprint and increase the capability of the C-130 fleet. The modernization of our C-130 forces strengthens our ability to ensure the success of our war fighting commanders and lays the foundation for tomorrow's readiness. Ongoing and future modernization efforts by AFRC include APN 241 Radar and Large Aircraft Infrared Countermeasures (LAIRCM) for our C-130H2/H3 aircraft. FY 04 funds provided for APN 241 radar; need additional funding in FY 05 to continue modifying the C-130H2s. LAIRCM is required to protect the aircraft from current and future IR threats. The AN/AAQ-24 LAIRCM system uses a laser beam to defeat the

missile and does not rely on hazardous and politically sensitive expendables that highlight the aircraft to additional threat. This is a multi-year program, FY 05-09.

#### **WC/C-130J Hercules**

The current fleet is being replaced with new WC-130J models. This replacement allows for longer range and ensures weather reconnaissance capability well into the next decade. Once conversion is complete, the 53rd Weather Reconnaissance Squadron will consist of 10 WC-130J's. Presently, there are six WC-130J models at Keesler AFB, MS undergoing Qualification Test and Evaluation (QT&E). The remaining four aircraft currently loaned to Lockheed Marietta, will be delivered to Keesler AFB in Jan 05. Deliveries are based on the resolution of deficiencies identified during tests. This will impact the start of operational testing and the achievement of interim operational capability (IOC). Major deficiencies include: propellers (durability/supportability) and radar tilt and start up attenuation errors. AFRC continues to work with the manufacturer to resolve the QT&E documented deficiencies. The 815<sup>th</sup> ALS has 5 C-130Js at Keesler AFB. Conversion to eight PAA C-130J stretch aircraft is to be completed by FY 07.

#### **C-5 Galaxy**

Over the next five years, there will be important decisions made that will change the complexion of the AFRC C-5 Fleet. Currently, there are primarily sustainability modifications to the weapons systems to allow it to continue as the backbone of the airlift community. Two major modifications will be performed on the engines to increase reliability and maintainability. Additionally, the C-5B fleet will receive the avionics modernization that replaces cockpit displays while upgrading critical navigational and communications equipment. AFRC C-5As are not currently programmed to receive these

modifications. The C-5A fleet has no Defensive Avionics Systems, and this lack of capability has significantly hampered the ability of the C-5A to participate actively in the GWOT. If these aircraft are not upgraded, then they must be retired starting in FY 08.

#### **C-141 Starlifter**

For the past 30 years, the C-141 has been the backbone of mobility for the United States military in peacetime and in conflict. In the very near future, the C-141 will be retired from the active-duty Air Force. However, Air Force Reserve Command continues the proud heritage of this mobility workhorse and will continue to fly the C-141 through fiscal year 2006. It is crucial that AFRC remains focused on flying this mission safely and proficiently until transition to new mission aircraft is completed.

#### **KC-135E/R Stratotanker**

One of Air Force Reserve Command's most challenging modernization issues concerns our unit-equipped KC-135s. Seven of the nine air refueling squadrons are equipped with the KC-135R, while the remaining two squadrons are equipped with KC-135E's. The KC-135E, commonly referred to as the E-model, has engines that were recovered from retiring airliners. The remaining KC-135Es are being retired, and are being replaced by KC-135Rs. The last AFRC KC-135E will be retired in 4Q FY 05.

The ability of the MAF to conduct the air refueling mission has been stressed in recent years. Although total force contributions have enabled success in previous air campaigns, shortfalls exist to meet the requirements of our National Military Strategy. AMC's Tanker Requirements Study-2005 (TRS-05) identifies a shortfall in the number of tanker aircraft and aircrews needed to meet global refueling requirements in the year 2005. There is

currently a shortage of KC-135 crews and maintenance personnel. Additionally, the number of KC-135 aircraft available to perform the mission has decreased in recent years due to an increase in depot-possessed aircraft with a decrease in mission capable (MC) rates.

## CONCLUSION

I would like to thank this committee and the House for your continuing support. I am proud to tell you that our Air Force Reserve Command continues to be a force of choice whenever an immediate and effective response is required to meet the challenges of today's world. For more than 30 years the Air Force has relied upon the Reserve components to meet worldwide commitments. The events of Sept. 11, 2001 and the Global War on Terrorism continue to highlight that reliance and have changed the way we think about and employ our forces. About one in three Air Force reservists has been mobilized at some point since that time. Transformation has proven to be an important aspect of the Air Force Reserve as we become more and more relevant in today's world. We are ready in peace or war, available for quick response, and able to stay the course when called upon. Although we are involved more now in the daily mission of the Air Force, the focus of the Air Force Reserve Command continues to be readiness -- we train during periods of peace so that we are ready to perform our wartime missions wherever we are needed, whenever we are called.

Like our active duty partners, the men and women of the Air Force Reserve are very busy. Trying to balance the demands of military service, family, and a civilian profession can be a demanding task, but ours is made easier by the support we receive from the American taxpayers, Congress, the Department of Defense and the Air Force.



The Air Force Reserve Command made major Air and Space Expeditionary Force (AEF) contributions in FY 2003. AFRC met virtually 100 percent of both aviation and support commitments, deployed over 23,350 (14,130 aviation and 9,220 support) mobilized and volunteer personnel to meet these commitments. The challenge for FY 2004 will be to meet the continued AEF demands of the Global War On Terrorism primarily with volunteers if the number of mobilized personnel decreases.

I would like to close by offering my sincere thanks to each member of this Committee for your continued support and interest in the well-being and quality of life of each Air Force Reservist. The recent pay increases and added benefits of the last few years have helped us through a significant and unprecedented time of higher operations tempo, calling for each member of the Air Force Reserve to give 200 per cent to the mission while still keeping families and employers happy. This will be my final opportunity to represent these fine young men and women as the Chief of Air Force Reserve, and I leave, knowing that we are on the right path: a stronger, more focused, force. A force no longer in Reserve, but integrated into the very fiber of the Air Force; the tip of the spear. Each of you can be proud of what we've accomplished together on behalf of our great nation. Again, I offer my thanks to you and my sincerest best wishes for the future.

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SUBCOMMITTEE OF  
THE HOUSE ARMED  
SERVICES COMMITTEE

STATEMENT OF  
LIEUTENANT GENERAL DENNIS M. MCCARTHY  
UNITED STATES MARINE CORPS RESERVE  
COMMANDER, MARINE FORCES RESERVE  
BEFORE THE  
TOTAL FORCE SUBCOMMITTEE  
OF THE  
HOUSE ARMED SERVICES COMMITTEE  
CONCERNING  
RESERVE COMPONENT TRANSFORMATION AND RELIEVING  
THE STRESS ON THE RESERVE COMPONENT  
ON  
MARCH 31, 2004

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TOTAL FORCE SUBCOMMITTEE  
OF THE HOUSE ARMED  
SERVICES COMMITTEE

**Lieutenant General****Dennis M. McCarthy****Commander, Marine Forces Reserve**

General McCarthy graduated from the University of Dayton, and was commissioned a Second Lieutenant in 1967. Upon graduation from The Basic School, he was transferred to the 9th Marine Amphibious Brigade in the Republic of Vietnam where he served as a Platoon Commander and Communications Officer in First Battalion, 13th Marines.

Upon return to the United States in 1969, he served as an assistant S-3 at Quantico, Virginia and on Inspector-Instructor duty with the 25th Marine Regiment in Worcester, Massachusetts. He was then selected to attend law school on the Excess Leave Program. After graduation, he served as a Judge Advocate at Camp Lejeune, North Carolina. After promotion to Major, he resigned his Regular commission in 1978 and transferred to the Marine Corps Reserve.

As a Reserve officer, he commanded the Third Battalion, 25th Marines and was Executive Officer of the 25th Marine Regiment. He commanded Headquarters Detachment 2, 4th Marine Division and was called to active duty during Operation Desert Shield/Desert Storm for duty at Twentynine Palms, California as Director of the Tactical Exercise Evaluation Control Group. He then served as G-3, 4th Marine Division in 1991, and commanded U.S. Joint Task Force, Chile in 1992. He was selected for promotion to the grade of Brigadier General in 1992.

From 1993 until 1995, General McCarthy was Commanding General of the Marine Corps Reserve Support Command. In 1995 he assumed command of the Augmentation Command Element of the First Marine Expeditionary Force. He was concurrently assigned as Deputy Commander, I MEF. He was promoted to Major General on October 1, 1996, and was appointed to the Defense Reserve Forces Policy Board.

In 1997, General McCarthy assumed command of the Third Marine Division, becoming the first Reserve General Officer to command an active duty Marine Division. He served in that post from July through October. He was then assigned to the United States Atlantic Command, where he served as the Vice Director of Operations, and then in 1999 as Director of Operations & Plans. He served as the Director, Reserve Affairs Division, Headquarters, U.S. Marine Corps, from 1 Jan 2000 until 14 May 2001. On 1 June 2001, he was promoted to the grade of Lieutenant General. He assumed his current duties as Commander, Marines Forces Reserve, on 2 June 2001.

General McCarthy's military decorations include the Defense Superior Service Medal, the Meritorious Service Medal, the Navy Commendation Medal with "V" and the Combat Action Ribbon.

(Revised June 28, 2001)

## INTRODUCTION

Chairman McHugh, Congressman Snyder, and distinguished Members of the Committee; it is my honor to report to you on the state of readiness of your Marine Corps Reserve as a partner in the Navy-Marine Corps team. Your Marines are firmly committed to warfighting excellence, and the support of the Congress and the American people has been indispensable to our success in the Global War on Terrorism. Your sustained commitment to improving our Nation's armed forces to meet the challenges of today as well as those of the future is vital to the security of our Nation. On behalf of all Marines and their families, I thank this Committee for your continued support.

## YOUR MARINE CORPS RESERVE TODAY

As the last few years have demonstrated, the Marine Corps Reserve is a full partner in our Total Force. Reserve units participated in all aspects Operation IRAQI FREEDOM, providing air, ground, and combat service support as well as a large number of individual augmentees to Marine and joint staffs. Reserve units continue to fill critical roles in our nation's defense during the Global War on Terrorism -- whether deployed in Iraq, Afghanistan, the Georgian Republic, Djibouti, Kuwait, and Guantanamo Bay, Cuba or on standby at U.S. bases to quickly respond to Homeland Security crises.

The Marine Corps has completed 27,389 Reserve activations, in response to both internal and joint operational requirements. Marine Forces Reserve has maximized the use of Individual Ready Reserve volunteers, 4,570 have been activated to meet these requirements, primarily in the areas of staff augmentation, such as linguists, intelligence specialists, and for force protection requirements.



During the peak of Operation ENDURING FREEDOM and Operation IRAQI FREEDOM, the Marine Corps had 21,316 Reserve Marines on Active duty.

Marine Forces Reserve proved once again that it was ready, willing and able to accomplish its primary mission of augmenting and reinforcing the Active component by seamlessly integrating into the I Marine Expeditionary Force. As an example of the level of support Reserve Marines provided, 6th Engineer Support Battalion, the second largest battalion in the Marine Corps mobilized 1,972 of its 2,172 Marines from 11 separate sites. The unit is comprised of 10 companies spread among 12 Reserve centers across the U.S. During the war, the battalion, commanded by LtCol. Roger Machut, USMCR, distributed 8 million gallons of fuel, produced and distributed over 3.1 million gallons of water and provided material handling support for numerous convoys. In addition, the unit built the longest Hose Reel Fuel line system (80 miles), the largest tactical fuel farm and the longest Improved Ribbon Bridge in Marine Corps' history.

The Fourth Marine Division was equally engaged. Two infantry battalions, 2nd Battalion, 23rd Marines and 2nd Battalion, 25th Marines were directly engaged in ground combat, as was 4th Light Armored Reconnaissance Battalion, 4th Assault Amphibian Battalion, and other combat support and combat service support outfits. Reserve officers and staff NCOs effectively trained their units for combat and led them successfully in battle.

Marine Reserve KC-130T's proved their worth. Using the most modern night vision equipment, they participated in 3rd Marine Aircraft Wing's assault support effort, landing on highways and dirt strips to resupply Forward Arming and Refueling Points that supported the I Marine Expeditionary Force's 500-kilometer drive from Basra to Baghdad and on to Tikrit.

The seamless integration of reserve units is a credit to the Marine Corps commitment to Total Force. A strong Inspector-Instructor system, providing a top notch staff of Active duty and

Active Reserve personnel at each site, and a demanding Mobilization and Operational Readiness Deployment Test program ensure Marine Corps Reserve units achieve the highest level of pre-mobilization readiness. Marine Corps Reserve Units train to a high readiness standard, eliminating the need for post-mobilization certification. For Operation IRAQI FREEDOM the Marine Corps Reserve executed a rapid and efficient mobilization. While some of our Reserve units deployed in as little as six days from notification, on the whole our units averaged 23 days from notification to deployment. None of our units missed their deployment window. In fact, many of our units were notified, activated, and ready to deploy faster than strategic lift was available.

The ability of the Marine Reserve to rapidly mobilize and integrate into the Active component in response to the Marine Corps' operational requirements is a tribute to the dedication, professionalism and warrior spirit of every member of the Marine team – both Active and Reserve.

## MARINES AND FAMILIES

Our future success will rely firmly on the Marine Corps' most valuable asset – our Marines and their families.

### *Operational Tempo Relief*

In addition to supporting Operations NOBLE EAGLE, ENDURING FREEDOM and IRAQI FREEDOM, Reserve Marines provided operational tempo relief to the Active component. Notably, 96 Reserve Marines volunteered to participate in the West African Training Cruise (WATC 04), creating the first Reserve Marine Corps WATC, a biannual 6th Fleet sponsored exercise in West Africa. During the months of October and November 2003, the Marines deployed to West Africa from various Reserve Training Centers (RTC) throughout the Midwest via Air Force strategic lift. There they boarded the *HSV Swift* (High Speed Vessel) and

sailed Africa's West Coast conducting training exercises with military forces from South Africa, Cameroon, Ghana, Gambia, and Senegal.

Marine Forces Reserve also provided the majority of Marine Corps' support to the nation's counter-drug effort, participating in numerous missions in support of Joint Task Force 6, Joint Interagency Task Force-East and Joint Interagency Task Force-West. Individual Marines and Marine units supported law enforcement agencies conducting missions along the U.S. Southwest border and in several domestic "hot spots" that have been designated as high intensity drug trafficking areas.

Similarly, 335 Reserve Marines volunteered to deploy to South America to participate in UNITAS 45-04. Sponsored by ComUSNavSouth, UNITAS is an annual naval and amphibious exercise that takes place throughout South America. This will be the second UNITAS sourced primarily from the Selected Marine Corps Reserve (SMCR). This year the SMCR Marines of MARFOR UNITAS will conduct a 13-week training program at Camp Lejeune, North Carolina and subsequently embark on the *USS Tortuga*. From the *Tortuga* the Marines will disembark to conduct bilateral training with our allies in the Caribbean and the Pacific. In Peru, MARFOR UNITAS 45-04 will conduct a multi-national amphibious exercise that includes forces from Argentina, Bolivia, Chile, Ecuador, Mexico, Panama, Peru and Uruguay.

### ***Education***

The Marine Corps Reserve continues to be a young force with about 70 percent of SMCR Marines under 25 years old and serving on their first enlistment. Over 40 percent of Reserve Marines are college students. Although many educational institutions support activated service members by refunding tuition and awarding partial credit for courses begun but not completed, there are no laws offering academic and financial protections for Reserve military members who are college students. We support the Employer Support of the Guard and Reserve's (ESGR)

initiatives to improve communication between Reserve component personnel and their educational institutions.

### ***Mobilization Support***

Mobilization readiness is our number one priority and the men and women in the Marine Corps Reserve have responded enthusiastically to the call to duty. Approximately 98 percent of Marines reported when mobilized. One of the keys to this success is the support given to the Marines and their family members prior to, during and after activation.

Programs such as *MCCS One Source* provide Marines and their families with around-the-clock information and referral service for subjects such as parenting, childcare, education, finances, legal issues, elder care, health, wellness, deployment, crisis support and relocation via toll-free telephone and Internet access. *MCCS One Source* familiarizes our activated Reserve Marines and their families not located near major military installations to the requirements and procedures associated with military programs such as TRICARE.

### ***TRICARE***

Marine Forces Reserve recognizes family readiness as an essential part of mobilization preparedness. Upon activation, Reserve families must make significant adjustments in lifestyle. Civilian jobs and/or educational commitments must be correctly managed: proper notifications provided to employers to ensure legal protections, continued good Marine-employer relations and an eventual smooth return. Health care issues can be challenging, with families often required to shift providers in order to use TRICARE benefits.

Since 9/11, Congress has gone to great lengths to improve TRICARE benefits available to the Guard and Reserve. Reserve members are now eligible for dental care under the Tricare Dental Plan for a minimal monthly fee. Mobilized Reserves are granted additional transitional benefits once their activation is complete. In an effort to increase awareness of the new benefits,



Reserve members are now receiving more information regarding the changes through an aggressive education and marketing plan. And finally, the newest, temporary changes include provisional benefits to Marines and their family members 90 days prior to their activation date and up to 180 after deactivation and extending TRICARE coverage to members and their families who are either unemployed or employed but not eligible for employer-provided health coverage. These benefits ensure that members have the means to become medically and dentally qualified for deployment prior to activation and remain qualified. We appreciate your continued support of these valuable health care benefits.

### ***Family Support***

At each of our Reserve Training Centers, the Key Volunteer Network Program serves as the link between the deployed command and the families, providing unit spouses with official communication, information and referrals. This creates a sense of community within the unit. Additionally, the Lifestyle Insights, Networking, Knowledge and Skills (L.I.N.K.S.) Program is a spouse-to-spouse orientation service offered to new Marine spouses to acquaint them with the military lifestyle and the Marine Corps, including the challenges brought about by deployments. Online and CD-ROM versions of L.I.N.K.S makes this valuable tool more readily accessible to working spouses of Reserve Marines not located near Marine Corps installations. The Peacetime/Wartime Support Team and the support structure within the Inspector and Instructor staff provide families of deployed Marines with assistance in developing proactive, prevention-oriented steps such as family care plans, powers of attorney, family financial planning, and enrollment in the Dependent Eligibility and Enrollment Reporting System. Our deployed commanding officers have confirmed the importance of this family readiness support while they were away and as part of their homecoming.

***Marine For Life***

Our commitment to take care of our own includes a Marine's transition from honorable military service back to civilian life. The Marine For Life Program's mission is to provide sponsorship for our more than 27,000 Marines who honorably leave Active service each year. The program was created to nurture and sustain the positive, mutually beneficial relationships inherent in our ethos, "Once a Marine, Always a Marine." In cities across the United States, Marines help Marines and their families transition from Active duty to their establishment within a new community. Sponsorship includes assistance with employment, education, housing, childcare, veterans' benefits, and other support services needed to make a smooth transition.

Reserve Marines have a unique opportunity to help their fellow transitioning Marines and also use this program. To provide this support, Marine For Life taps into the network of former Marines and Marine-friendly businesses, organizations, and individuals that are willing to lend a hand to a Marine who has served honorably.

The Marine For Life Program was initiated in Fiscal Year (FY) 2002 and will reach full operational capability this FY. In addition to 110 Reserve Marines serving as "Hometown Links," an enhanced web-based electronic network, easily accessed by Marines worldwide, will help support the program. The Marine For Life Program is a nationwide network available to all Marines honorably leaving Active service. It serves to improve their transition to civilian life and ensure that no Marine who honorably wore the Eagle, Globe, and Anchor is lost to the Marine Corps Family.

The Marine Corps Reserve also provides a significant community presence in and around our 187 sites nationwide. An important contribution Marine Forces Reserve provides is support for military funerals for our veterans. The active duty staff members and Reserve Marines at our sites performed 6,117 funerals in 2003 and we anticipate supporting as many or more this year.

The authorization and funding to bring Reserve Marines on active duty to perform funeral honors has particularly assisted us at sites like Bridgeton, Missouri and Devens, Massachusetts where we perform several funerals each week. We appreciate Congress exempting these Marines from counting against active duty end strength.

### **CURRENT READINESS**

As of March 1, 2004, the Marine Corps Reserve was over 98,000 strong. While 59 percent of this population (58,571) is in the Individual Ready Reserve, the remaining 41 percent (40,235) are assigned to units, either as drilling members or Active Reserve Marines, or are in the training pipeline for units.

The Marine Corps Reserve is a pre-trained, balanced and sustainable force capable of rapid deployment to a combat environment. It is important to note that less than one percent of our SMCR unit strength represents a reserve-unique capability. The current Marine Forces Reserve structure also reflects a large enterprise ratio: 98 percent are deployable war-fighters (A minimal number of active duty and Reserve personnel are in administrative/support roles.)

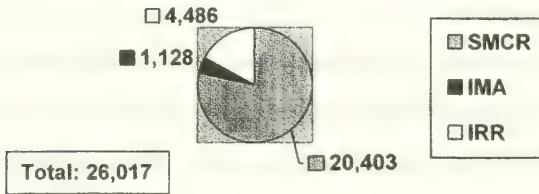
As of 18 March, 5,125 Reserve Marines were on duty in support of contingency operations worldwide; 3,924 from Selected Marine Corps Reserve units and 1,201 Individual Augmentees. Reserve Marines are fully integrated with and serving alongside their Active duty counterparts in every hotspot in the Global War on Terrorism.

As of January 2004, we began activating Marines that will support Operation IRAQI FREEDOM II (OIF II). To meet worldwide commitments, the Department of Defense has established a predictable and sustainable, capabilities-based tour length and rotation schedule for OIF II. Reserve Marines are receiving one-year activation orders and will deploy in theater for up to seven months. This contributes to making Marine Forces Reserve a more sustainable force. Marine Forces Reserve currently has 3,308 Marines mobilized for OIF II, 1st rotation.

We are anticipating activating approximately 3,500 Marines in the summer for OIF II, 2nd rotation.

Judicious use and coordinated planning has enabled us to activate only 1,153 Reserve Marines more than once, 406 of those are currently activated. Since 9/11, 20,403 (62 percent) of SMCR Marines, 1,128 (64 percent) of Individual Mobilization Augmentees, and 4,486 (8 percent) of Individual Ready Reserve Marines have been activated. The latter is worth particular note as our IRR provides us versatility – an added dimension to our capability.

**Marine Corps Reserves Mobilized since 9/11**



Marine Forces Reserve has identified several specialties as critical. To mitigate this challenge, volunteers from the IRR and from other Military Occupational Specialties, such as artillery, have been cross-trained to reinforce these critical specialties.

Additionally building on the important lessons learned of the last year, the Marine Corps is pursuing several initiatives to enhance the Reserves' capabilities as a ready and able partner of the Total Force Marine Corps. These pending initiatives include: increasing the number of Reserve military police units; establishing and reinforcing an Intelligence Support Battalion that will enhance command and control and increase reserve component intelligence assets, to include placing Reserve Marine Intelligence Detachments at the Joint Reserve Intelligence Centers; returning some of our civil affairs structure to the Active component to provide



enhanced planning capabilities for operational and Service headquarters; and refocusing our Individual Augmentee management program to meet growing joint and internal requirements.

The Active duty Special Work (ADSW) Program funds short tours of active duty for Marine Corps Reserve personnel. This program continues to provide critical skills and operational tempo relief for existing and emerging augmentation requirements. The use of ADSW enables us to use Marines who volunteer for short periods of active duty, rather than involuntarily activating Reserve Marines.

The requirement for ADSW has increased to support pre-mobilization activities during FY's 03 and 04 and will be further challenged during post-mobilizations. In FY03, the Marine Corps executed 942 work-years of ADSW at a cost of \$51.5M. Continued support and funding for this critical program will enhance flexibility thereby ensuring our Total Force requirements are met.

#### ***Recruiting and Retention***

The Marine Corps Reserve has achieved historically high retention rates in FY03 and, the retention rate for the Marine Corps Reserve remains favorable with a 7 to 10 percent increase over retention rates in the near-term past. Marine Forces Reserve will not be complacent about these positive trends. Every Marine Corps leader knows the role of leadership, training and family readiness programs in the recruiting and retention of our Marines.

With the accession of 6,174 non-prior service Marines and 2,663 prior service Marines, the Marine Corps Reserve met and exceeded, respectively, current recruiting goals. Current Military Occupational Specialty (MOS) match rates are exceeding the goal of 75 percent with an enlisted MOS match rate of 87.4 percent and officer match rate of 75.8 percent.

As of 29 February 2004, our end-strength was 40,235, which is 635 above our authorized end-strength but within the allowable 2 percent variation. Officer recruiting and retention

remains our most challenging concern. This is due to the low attrition rate for company grade officers from the active force. The Marine Corps recruits Reserve officers almost exclusively from the ranks of those who have first served an active duty tour as a Marine officer. We are exploring methods to increase the participation of company grade officers in the SMCR through increased recruiting, increased command emphasis on Reserve opportunities and participation, and Reserve officer accession programs for qualified enlisted Marines.

The Marine Corps supports the legislative proposal to allow bonuses for officers in the SMCR who fill a critical skill or shortage. We currently have a shortage of Reserve company grade officers and this bonus could complement other efforts we are making to increase their participation.

#### ***National Guard and Reserve Equipment Appropriations (NGREA)***

The \$44M provided by FY04 NGREA will provide the Reserve Force with the systems needed to improve mission capability and readiness now and into the future. Important communications systems such as the SMART-T, EPLARS and Iridium Satellite phones will greatly enhance our ability to integrate with the Active Component. This year's funding also allows us to purchase and install the AH-1W Electronic Warfare Suite (AFC-230) for almost half of our attack helicopters. This is a defensive system required for all Marine Corps aircraft operating in OIF II.

#### ***Equipment***

I am most pleased to report that every Reserve Marine deployed during Operation IRAQI FREEDOM and Operation ENDURING FREEDOM and those currently deployed into harm's way are fully equipped with the most current Individual Clothing/Combat Equipment (ICCE) and Individual Protective Equipment (IPE).

Congressional funding has enabled us to begin issue of the new Marine Corps combat utility uniform.

Operationally, since I last testified, over 40,000 pieces of Reserve combat equipment including individual and crew served weapons, night vision devices, radios, computers as well as principle end items have been deployed, engaged in theatre, redeployed through the maintenance cycle and returned to Reserve Training Centers. This equipment is now reconstituted and ready for future deployment.

Maintaining current readiness levels will require continued support as our equipment continues to age at a pace exceeding replacement. Within Reserve aviation, the average age of our youngest platform is the UC-35 at 6 years, followed by the AH-1W Cobra at 11 years, the CH-53E at 16 years, the KC-130T at 18 years, the F/A-18A at 20 years, and the F-5 at 31 years. Our oldest platforms -- platforms that have exceeded programmed service life -- include the UH-1N at 33 years (20-year service life) and the CH-46E at 37 years (20-year service life with "safety, reliability, and maintainability" extension to 30 years). Maintaining these aging legacy platforms requires increased financial and manpower investment with each passing year due to obsolescent parts and higher rates of equipment failure. Aircraft maintenance requirements are increasing at an approximate rate of 8 percent per year. For example, for every hour the CH-46E is airborne it requires 37 maintenance man-hours.

The increasing age of our equipment is also a challenge within the Reserve ground component. I am pleased to report that we are meeting these challenges in several areas. Of our 3,448, aging High Mobility Multipurpose Wheeled Vehicle, Basic and A1 (HMMWV A1) variants, Marine Forces Reserve replaced 1162 with the HMMWV A2 variant. Of our 1,233 5-Ton truck fleet, 604 have been replaced with the Medium Tactical Vehicle Replacement (MTVR).

We are receiving about 300 new HMMWV A2 each year and based on that replacement rate, the projected full replacement will be completed in FY09. We are scheduled to receive an additional 301 MTVRs between now and November 2004 with our entire 5-Ton truck fleet replaced in FY05.

Efforts to improve our communications capabilities have focused on increased fielding of several tactical single-channel radio programs including the PRC-117 satellite radios, PRC-150 HF radios and PRC-148 squad radios. Previous NGREA funding has allowed Marine Forces Reserve to field a myriad of alternative power source devices to all Reserve communication units, providing a range of alternative power options that is comparable and in some cases exceeds that of Active Component units.

As I mentioned earlier, mobilization readiness is my number one priority. In order to continue seamless integration into the Active Component, my ground component priorities are the sustained improvement of ICCE/IPE and overall equipment readiness. With your continued support, Marine Forces Reserve will deploy Marines with the best available individual equipment and principal end items needed to accomplish their mission and return home safely.

We are thankful for and remain confident in the readiness of the Marine Corps Reserve, and we seek your continued support in the FY05 President's Budget. Your continued support is critical in our ability to maintain readiness and mission capability to support operations in support of the Global War on Terrorism.

## **INFRASTRUCTURE**

Marine Forces Reserve is and will continue to be a community-based force. This is a fundamental strength of Marine Forces Reserve. Our long-range strategy is to maintain that fundamental strength by maintaining our connection with communities in the most cost effective



way. We do not want to be located exclusively in just several large metropolitan areas or consolidated into a few isolated enclaves.

We seek every opportunity to divest Marine Corps-owned infrastructure and to locate our units in Joint Reserve Centers (JRC). Marine Forces Reserve units are located at 187 sites in 48 states, the District of Columbia, and Puerto Rico; 33 sites are owned or leased by the Marine Corps Reserve, 154 are either tenant or joint sites. Fifty-three percent of the Reserve centers we occupy are more than 30 years old, and of these, 37 are over 50 years old.

Investment in infrastructure has been a bill-payer for pressing requirements and near-term readiness for most of the last decade. The transition to Facilities Sustainment, Restoration and Modernization (FSRM) funding has enabled us to more accurately capture our requirements and budget accordingly. As with the Active Component, we do not expect to be able to bring our facilities to acceptable levels of readiness before FY13. In FY03 we funded seven Whole Center Repairs in a step forward to meeting the FY13 goal. This will reduce the facilities currently rated below acceptable levels to 58 per cent. We still face a backlog in restoration and modernization across the Future Years Defense Program (FYDP) of over \$30M. Adequately maintaining facilities is critical to providing training centers that support the readiness of our Marines and Sailors and sends a strong message to them about the importance of their Service. Replacing inadequate facilities is also part of our overall infrastructure program. The yearly Presidential Budget average for new military construction of \$8.67 million dollars for the previous six Fiscal Years has allowed us to address our most pressing requirements.

Past vulnerability assessments identified \$33.6M in projects to resolve anti-terrorism/force protection (ATFP) deficiencies at the 41 sites that we own or at which we have responsibility for site maintenance. We have expended \$8.3M the last two years to reduce these vulnerabilities. The age of our infrastructure means that much of it was built well before ATFP

was a major consideration in design and construction. These facilities will require ATPF resolution through structural improvements, relocation, replacement or the acquisition of additional stand-off distance. All these expensive solutions will be prioritized and achieved over the long-term to provide the necessary level of force protection for all our sites. We continue to improve the ATPF posture at our RTC's and are acting proactively to resolve the issues and deficiencies.

***Base Realignment and Closure (BRAC)***

We see BRAC 2005 as an opportunity for efficient joint ventures and increasing training center utilization while still maintaining our community presence. We plan to reduce our restoration, modernization backlog and ATPF vulnerability through joint basing in BRAC 2005. We are consulting with the other Reserve Components and collecting data for the Joint Cross Service Groups and the SECNAV Infrastructure Analysis Team to analyze and develop the best possible Reserve basing solutions while also striving to ensure that the Marine Corps Reserve is not the victim of an unintended consequence of a larger closure. For example, an unintended consequence of closure of Naval Station Roosevelt Roads is the closure of our collocated RTC. We are working with the Army Reserve and National Guard to mitigate the situation by reducing the Military Construction requirement through a joint solution to our basing requirements in Puerto Rico.

Our FY05 President's Budget submission for Military Construction Naval Reserve (MCNR) is \$12.5M, 32 percent greater than the FY04 enacted level. The FY05 request addresses our most pressing requirement – a new RTC and Vehicle Maintenance Facility (VMF) in Jacksonville, FL and a VMF in Norfolk, VA. We support maximized use of joint – where we partner with one of the other Services -- construction projects to the greatest extent practicable for efficiency and economy. Joint construction often provides the most cost effective solution

for each of the Services and to the taxpayer. In addition to the MCNR program, we are evaluating the feasibility of other innovative solutions to meeting our infrastructure needs, such as real property exchange and public-private ventures. The overall condition of Marine Corps Reserve facilities continues to demand a sustained, combined effort of innovative facilities management, proactive exploration of and participation in Joint Facility projects, and a well-focused use of the construction program.

## **MODERNIZATION AND TRANSFORMATION**

The following modernization priorities represent low investment/high pay-off capabilities, closely linked to Marine Corps operational concepts and doctrine, relevant to the combatant commanders, and essential to the survival of our Marines in combat.

### ***Command, Control, Communications, and Computers (C4)***

With your help, we have made great strides in C4 equipment readiness during the past year. Marine Forces Reserve's C4 readiness increased noticeably, due to the FY03 NGREA. As I speak to you today, a detachment of our 4th Air Naval Gunfire Liaison Company (ANGLICO) is in Iraq, outfitted with high frequency and satellite radio equipment almost completely procured with the FY03 NGREA funds. This marks the first time in the past year and a half an ANGLICO unit performed its mission without provisioning radio equipment from its gaining force commander.

There are a few areas that I would like to bring to your attention in which you may again assist us. Because of the increased reliance on Marine Forces Reserve's military police and civil affairs capabilities, we have validated additional requirements for 200 handheld radios. Critical new requirements have emerged for our civil affairs groups' coordination and command-and-control capabilities such as the additional validated need for 100 AN/PRC-148 handheld radios

and 50 single channel/satellite AN/PRC-117 radios to meet the unexpected growth in civil affairs capabilities.

### ***Digital Data Servers***

Progress has been made in fielding new equipment to bridge the gap between Active Component units and their Reserve counterparts. However, there are areas of improvement in which you can help speed the closure of the gap.

Prior to completion of Marine Forces Reserve fielding, 24 MFR DDS suites were reallocated to support training requirements for Operation IRAQI FREEDOM. The shortage of DDS suites limits the ability of Marine Forces Reserve units to transfer data.

### **Data Relay: The CONDOR Initiative**

Today, battalion-level units in the Total Force are unable to receive robust data communications beyond line-of-sight. Regimental-level units rely on satellite and multi-channel radios to maintain reliable SIPRNet communications to senior and parallel headquarters across the battlefield. The data link down to battalion-level units is the Enhanced Position and Location Reporting System (EPLRS), but it has a range limited by line-of-sight. The range limitation does not allow the SIPRNet to be extended from the Regimental level to distant or fast moving battalion-level and below units. The Marine Corps CoNDOR initiative is an attempt to extend data networks beyond line-of-site. CoNDOR, which stands for C2 on-the-move Network Digital Over-the-Horizon Relay, uses satellite and ground radio relays mounted on HMMWVs in three variants. It also allows units to use non-EPLRS radios to connect to tactical data networks. Though in the early stages of development, the Marine Corps Reserve's tactical C4 effectiveness as well as that of the Active component could be significantly enhanced with fielding of the CoNDOR initiative.



***Navy-Marine Corps Intranet (NMCI)***

Another area that would benefit from your assistance is the fielding of deployable and non-deployable computers. With the delay of Marine Forces Reserve's transition to the NMCI, many Marine Reserve units have not received up-to-date hardware to replace their aging computers. At least 12 percent of our computers are incapable of running the Marine Corps-approved operating systems, creating compatibility and reliability issues. Marine Forces Reserve is advance-fielding NMCI deployable computers to units deploying for operations to mitigate this problem. While this is a quick fix, it does not solve the primary issue of aging computers in the Force. Presently, Marine Forces Reserve is only funded for approximately 8,000 NMCI computers. Unfortunately this leaves 6,000 required NMCI computers, in the form of user seats, un-funded. Without the funding to replace our aging computers, Marine Forces Reserve will have to contend with critical long-term computer compatibility and reliability issues.

***AN/PRC-150***

The FY04 NGREA significantly mitigated our high frequency radio readiness issues with the purchase of man-packed AN/PRC-150 radios to replace the obsolescent AN/PRC -104s. However, the acquisition objective for AN/PRC-150 radios will grow as more of the 20-year-old AN/PRC -104s become unserviceable. Our un-funded requirement is 130 AN/PRC-150s. Continued support for the funding of the AN/PRC-150's will keep potential high frequency radio readiness issues at bay.

As the transformation of our Force continues, there will be a greater need for newer tactical C4 equipment to fill voids in satellite communications and data communications areas. Requirements for the Lightweight Multi-band Satellite Terminal (LMST) will increase to provide the same wideband satellite communications capability resident in the Active component's major communications units. Tactical data network requirements will continue to

grow and so will the need for a continued refreshing of computer technology in the Force.

During the next year, requirements for additional LMSTs and tactical data network equipment will be identified for funding.

In the past few minutes, I pointed out several challenges in C4 readiness for Marine Forces Reserve. However, I want to emphasize that while challenges remain, your support in providing a path for us to replace and sustain our C4 equipment has placed your Marine Reserve in a much better C4 posture than a year ago.

## TRANSFORMATION

### *Continuum of Service*

Driven by the unique requirements of Operation ENDURING FREEDOM and Operation IRAQI FREEDOM, the Secretary of Defense has challenged the Department to transition from a "Cold War approach" in many areas of national security policy and action. This mandate applies with particular force to those charged with employing the incredibly rich resource that the 1.2M men and women of the Guard and Reserve constitute.

We must replace the blunt manpower instruments in use today with a kit of flexible, precise tools that allow members of the Reserve to move back and forth along a "continuum of service" that reflects both the needs of those who serve, and the requirements of those who would employ them. Continuum of service describes the full spectrum of reserve Marine availability, ranging from Marines in the IRR who do not routinely train as members of a Reserve unit and who may never be re-called to active duty, to individuals who perform short-term active service during the course of a year, to the Reserve Marine who volunteers for active duty for many months or a year. The continuum spans the range of potential employment -- from 0 to 365 days in any given year -- and encompasses all categories of Reserve duty from

drills and annual training, to active duty in support of specific requirements and contingencies, to full mobilization.

Conceiving of Reserve service as a continuum matches the individual Marine's capacity for service with operational requirements. It recognizes that an individual's "capacity for service" will probably change throughout that service member's career; and it recognizes there is value to the Nation at every point along the continuum. Finally, such an approach recognizes that gaining combatant commanders have a vast array of differing requirements amenable to a Reserve Component solution.

The distinction between "emergency manpower" and "contingency manpower" is another aspect of the continuum of service, and is useful in understanding both resources and requirements. The requirement for "emergency manpower" is characterized by the once-in-a-generation requirement to build up the force for a major combat contingency like Desert Storm or Operation IRAQI FREEDOM. The "emergency" portion of the force comprises the vast majority of the 1.2M men and women in the Guard and Reserve. The "contingency" manpower force, a smaller but still important segment, is a resource that can be applied against ongoing requirements, ranging from individuals who augment service on joint staffs for days or weeks, to scheduled unit rotations such as to the Sinai, Kosovo, or UNITAS.

The idea that Reserve and Guard service can be a continuum and not a succession of polar opposites will require fundamental changes of both substance and perception. As we know, the increased use of the Guard and Reserve has been a reality for years. However, the administrative, personnel and manpower systems supporting the Guard and Reserve have not kept pace with the increase in, and changing nature of, Reserve service. There are no insurmountable obstacles to the development and implementation of flexible tools to maximize

use of this nation's citizen-warriors. Taking transformational steps will provide the nation with a key element of the affordable national defense taxpayers seek.

### **CONCLUSION**

Your consistent and steadfast support of our Marines and their families has directly contributed to our success. The Marine Corps appreciates your continued support and collaboration in making the Marine Corps and its Reserve the Department of Defense model for Total Force integration and expeditionary capability.



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**DOCUMENTS SUBMITTED FOR THE RECORD**

MARCH 31, 2004

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**STATEMENT  
BY  
MSGT (RET.) MORGAN D. BROWN  
MANAGER, LEGISLATIVE AFFAIRS  
AIR FORCE SERGEANTS ASSOCIATION**

**FOR THE  
HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON TOTAL FORCE**

**RESERVE COMPONENT TRANSFORMATION  
"RELIEVING THE STRESS ON THE RESERVE COMPONENT"**

**MARCH 31, 2004**

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\*\* A participating organization in The Military Coalition \*\***

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COMMITTEE**



### **CURRICULUM VITAE**

MSgt (Ret.) Morgan D. Brown is the Manager, Legislative Affairs within the Directorate of Military and Government Relations (M&GR) for the Air Force Sergeants Association. As such, he works for the M&GR Director who is responsible to the Executive Director. This directorate serves as the association's liaison with Congress, the Administration, the military services, and other military and veterans' associations. Sergeant Brown served 22 years in the United States Air Force at numerous stateside and overseas locations. His last assignment was as a First Sergeant on Andrews AFB, in Maryland. He has served in his current position since May 2003.

### **DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS**

The Air Force Sergeants Association (AFSA) does not currently receive, nor has the association ever received, any federal money for grants or contracts. All of the association's activities and services are accomplished completely free of any federal funding.



Mr. Chairman and distinguished committee members, on behalf of the 135,000 members of the Air Force Sergeants Association, thank you for this opportunity to offer the views of our members on how to relieve stress currently being placed on the reserve component.

As you know, the role of the Guard and Reserve (G&R) has increased dramatically over the past 13 years, and today members of the reserve component are being deployed in record numbers. Our military relies on the reserve component more heavily than ever before. Today, over 181,000 Guardsmen and Reservists are on Active Duty, and by this May over 40 percent of U.S. troops in Iraq will be Guardsmen and Reservists. As these combat deployments continue, the stress and strain grows. AFSA has been told by Guard and Reserve members that completing such unrelenting mobilizations while attempting to maintain secure civilian livelihoods could well drive many Guard and Reserve members out of the military.

In the highest American tradition, the patriotic men and women of the G&R serve voluntarily in an honorable and vital profession. However, they will only continue to do so if they are adequately compensated for their efforts and personal sacrifices. AFSA contends that the stress currently experienced by G&R members can be mitigated by increasing their overall compensation level to one that matches their level of commitment to the nation's defense. The following initiatives have been called for by AFSA's Guard and Reserve members. Many of these are equity issues. AFSA believes that each of the items is the right thing to do.

***Reduce the earliest G&R retirement age from 60 to 55.*** It is wrong that these patriots are the only federal retirees that have to wait until age 60 to fully enjoy retirement benefits. While we realize that DoD considers this a budgetary burden, it is the right thing to do. Additionally, it would allow for greater movement from rank-to-rank. Remember, most G&R promotions are by vacancy. While there are many bills on the table (many inspired by budgetary considerations rather than doing the right thing), we urge this committee to fully support H.R. 742, sponsored by Congressman Jim Saxton. That bill would provide full retirement benefits as early as age 55. Mr. Saxton's bill is fair and equitable; the others are partial measures only.

***Provide Year-Round TRICARE Coverage.*** Health insurance coverage varies widely for members of the G&R. Some have coverage through private employers or pay for it themselves. Others receive it through the Federal government or don't have coverage at all. As a critical readiness and retention issue, something needs to be done to provide continuity of care coverage for reserve component members. We simply cannot afford large numbers of servicemembers reporting for duty in less-than perfect health because they were uninsured. AFSA recommends extending the fee-based TRICARE coverage approved in the FY 2004 NDAA to all G&R members, not just those who are unemployed or without healthcare insurance. Members who already have insurance can

be given the option of having the government pay some share of any employer-provided health coverage during periods of recall to active service. On a related matter, dental readiness is also a concern; so expanding TRICARE dental coverage benefits for Guard and Reserve members should be considered as well.

***Expand Section 635 of Public Law 108-136 (FY 2004 NDAA) to include periods of authorized pass.*** This section was a very important accomplishment in the first session of the 108<sup>th</sup> Congress. However, it did not go far enough. It amended Chapter 7 of Title 37 by inserting section 404b--an adjustment to authorize billeting funding for periods of authorized leave. However, it *did not* cover the cost of billeting during a period of *normal, authorized pass*. It is during these pass periods that a deployed member is most likely going to return home to check on the wife/husband and kids and to ensure the quality of life of those who the military member left behind. Accordingly, we ask this committee to amend Section 404b, paragraph (a) to change the final words of the paragraph from "*while the member is in authorized leave status*" to read "*while the member is in authorized leave or pass status*." We urge the committee to make this simple adjustment—one, however, that will be of great benefit to those serving our nation.

***Provide full (not fractioned) payment of flying, hazardous duty, and other special pays; i.e., eliminate "1/30" rules.*** These "fractioned" allowances are wrong because members of the G&R are meeting or exceeding the minimum active duty requirement to receive incentives and hazardous duty pays. Consequently, they denigrate the service and the risk faced by members of the Guard and Reserve. We ask the committee to pay these important "risk-based" allowances on the same basis for G&R members as they are paid for active duty members.

***Make all Air Reserve Technicians eligible for an unreduced retirement at age 50 with 20 years of service, or at any age with 25 years of service, if honorably, involuntarily separated.*** Due to the unique employment status of these servicemembers, this change would be equitable in relation to other federal employees.

***Eliminate the annual cap on inactive duty training points creditable for retirement.*** These points are currently capped at 90 points per year. However, it would be equitable to base a member's retirement on the amount of service performed. As such, we ask that the cap be eliminated or, as a step toward that end, increased.

***Provide BAH "Type 1" to all G&R members TDY or activated, including those activated or TDY for less than 139 days.*** Unlike an active duty member, G&R members typically have civilian employment and always return to their residence upon completion of military duty. During that time, their house payments do not go away. Providing full BAH to deployed G&R members would allow them to adequately protect their investment in their homes and the financial wellbeing of their families, if applicable.

**Special Duty Pay:** Provide G&R First Sergeants and Command Chief Master Sergeants with full, special duty assignment pay on the same basis it is paid to active duty members. Like active duty members, the extraordinary duties and expenses of these two groups of leaders does not take place only during duty hours. G&R First Sergeants and Command Chiefs have duties throughout the month (whether they are "officially" on duty or not). For that reason, equity would call for this special pay to be paid on the same basis as it is for active duty enlisted leaders.

**Enhance the Selected Reserve Montgomery G.I. Bill (SR-MGIB) benefit.** AFSA asks this committee to increase the value of the SR-MGIB to ensure it measures up to 47 percent of the value of the active duty MGIB. This was the congressional intent when the SR-MGIB began. At the present time, the SR-MGIB is only worth 27 or 28 percent of the MGIB. We ask you to support increasing the value of the SR-MGIB and establishing an automatic indexing with the active duty program. Additionally, we ask you to allow G&R members to use the SR-MGIB beyond the current 14-year duration of the program. They should be able to use the program during their time of service and for a reasonable period after they have completed their military obligation.

**Authorize Tax Credits for Employers of Reserve Component Members:** Support by employers of members in the Reserve Component enables the Total Force. Today's increased OPSTEMPO makes employer support more important than ever. Employer pressure is listed as one of the top reasons why G&R members quit. AFSA recommends that Congress support employer tax credits as a way to help offset costs associated with employees' G&R activities and reinforce employer support.

**Ensure Childcare Availability.** Under normal circumstances, the G&R member is often available to assist the spouse in planning childcare support. When one spouse is called to active duty, suddenly the other parent has the full burden of caring for the child(ren) in addition to usual activities. Babysitters or professional childcare will often be necessary, placing an unexpected financial burden on the family. Concerns about finding and affording quality child care when called to active duty directly affect mission readiness. The child care needs of activated G&R members must be calculated in DoD and service estimates of demand for child care services. Assistance must be given to families needing child care through referral services, and subsidies for certain members. Individual services should be encouraged to make better use of the flexibility given them [by Congress] to partner with community-based child care companies, agencies, and local school districts to assist members of the G&R called to active duty in meeting their child care needs.

**Ensure full funding of the Impact Aid Program.** Education of dependents remains high among the many concerns of G&R members. When G&R members deploy, often on short notice, they need to know that school districts have the capacity to address the

special problems that their absence creates. In many cases, Impact Aid provides military school districts with the financial resources necessary to offer counseling and tutorial services to military dependants. In order to protect the families (especially the children) of military members, we ask you to continue to provide Impact Aid funding and perhaps consider additional funding for school districts that provide specific services such as counseling for dependants of deployed personnel.

In closing, the level of service expected of military members of the reserve component has increased significantly since reserve component retirements were first authorized by the Congress and more than ten-fold in the past three years. It would be unwise to expect to maintain this increased level of commitment from our Guard and Reserve forces without providing a corresponding increase in their compensation and benefits package to reflect the additional sacrifices we're demanding from them.

The men and women of the Guard and Reserve are not "weekend warriors" anymore. Their increased contributions demand that we work harder to take care of them, their families, and their civilian employers. If we don't, our citizen-soldiers will soon be forced to choose between their patriotic call to national commitment and their need to protect their own wellbeing and that of their families

Mr. Chairman, thank you for this opportunity to present some of the concerns of our Guard and Reserve members. On behalf of the members of the Air Force Sergeants Association, we ask you to include consideration of these items in your deliberations as you formulate your mark-up for the FY 2005 National Defense Authorization Act. As always, we would be happy to provide more information or to answer any questions you might have on these important matters.







**TESTIMONY OF**

**THE**

**NAVAL RESERVE ASSOCIATION**

**BEFORE THE**

**US HOUSE COMMITTEE ON ARMED SERVICES**

**SUBCOMMITTEE ON TOTAL FORCE**

**ON**

**MARCH 31, 2004**

## **The Navy Reserve Association**

Naval Reserve Association roots can be traced back to 1919, and the Naval Reserve Association (NRA) is devoted solely to service to the Nation, Navy, the Naval Reserve and Naval Reserve officers and enlisted, and members of all Reserve Components. It is the premier national education and professional organization for Naval Reserve officers and enlisted, and the Association Voice of the Naval Reserve.

Full membership is offered to all members of the services and NRA members do come from all ranks and components.

NRA has over 22,000 members from all fifty states. Forty-five percent of the Naval Reserve Association membership is drilling and active reservists and the remaining fifty-five percent are made up of reserve retirees, and involved civilians. The National Headquarters is located at 1619 King Street Alexandria, VA. 703-548-5800. Our point of contact is Ike Puzon, Director of Legislation.

### **DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS**

The Naval Reserve Association does not currently receive, has not received during the current fiscal year, or either of two previous years, any federal money for grants. The Association has accepted federal money solely for Naval Reserve Recruiting advertisement in our monthly magazine. All other activities and services of the Association's are accomplished free of any direct federal funding.

Chairman McHugh, Congressman Synder and distinguished members of the subcommittee, on behalf of our 22,000 members, and on behalf of advocacy for the 86,000 active Naval Reservists, the mirrored interest of Guard and Reserve components, we are grateful for the opportunity to submit testimony, and for your efforts in this hearing.

Last year a popular craze in the press was to write about the plight of the mobilized Reservist. These articles emphasized the anxiety of being away from work and or family. Today, a climate of continued utilization and sacrifice is painted as Guardsmen and Reservists replace combat tested personnel as they rotate home. Unfortunately, we are all more aware along with the active components of military deaths and casualties of our armed forces in Iraq. Our Guard and Reserve personnel are serving 365 days a year and have suffered in the casualties. These are the times that bring the issue of parity between the active component personnel and the reserve component personnel to the forefront and into question. Selective Reserve MGIB improvements, TRICARE for Selected Reservists and an early retirement are three import equity issues to our members.

We do not have to remind the Congress why you needed to provide for these Guard and Reserve forces, but it is noted that it is a good thing you did, or where would we be today – by calling on them to go and serve in every major conflict that we have experienced in recent memory. As of today – 350,000 Guard and Reserve members recalled since September 11, 2001, is a true testimony of their surge-ability and readiness, and of the requirement to have a healthy reserve component in all our services. These are the forces that add 'just in time' combat might when our Nation calls. Judged by this metric of combat might, they are cost-effective and efficient resources.

The performance and efforts of today's military is without question in the forefront of our national and international news. Without question our armed forces is at the height of military prominence and involvement in our national security strategy. We foresee that this reliance will remain this way, as long as we are in this protracted war on terrorism, and executing both the National Security Strategy and evolving Homeland Security Strategy. Truly our Reserve Components are providing for the defense of our nation.

Yet, while these Guard and Reserve forces are fighting the war in Iraq and being used throughout the world in peace keeping missions, there are some who believe that they add little value; that resources authorized and appropriated by Congress could be used better somewhere else. The Guard and Reserve is often time the first payer in any attempt to balance the budget. In the Navy, dedicated Naval Reserve equipment that has been used in this recent war (F-18's, HH-60's, Coastal Warfare small boats) is being eliminated and Reserve units have been targeted for decommissioning. The fact that the equipment and personnel would be needed in a larger conflict (Korea, China), or could be utilized in Homeland Security is of little matter. Some of this is being mislabel as transformational, and some of it is being engineered to occur as an outcome under BRAC. For these and other reasons Congress must remain engaged in maintaining our Reserve and Guard Components.

We respectfully call on Congress to review and question current Transformation and rebalancing efforts because of the aforementioned and the following;

- Guard and Reserve Service members are responding without question, or hesitation
- Guard and Reserve Service members' families are responding without question
- Guard and Reserve Service members' employers are responding without question
- Guard and Reserve Hardware units have responded and are responding without question
- Guard and Reserve Hardware units have performed at and above standards and actually above any active component standard.
- Naval Reserve members and their families as a whole, view transformation and active reserve integration acceptable, but understand that this means they will no longer have real units, with Required Operating Capabilities, and Programmed Operating Capabilities justifications. How Reservists will be trained is a detail that hasn't been answered under current plans.
- Successful transformation of a reserve component is rarely completed, solely with DoD or service input. Out side assistance is necessary to achieve the right mix and right balance.

Rarely has there been this massive effort of organizational – equipment, personnel, cultural, and resource - transformation at the same time our country is at war. And, more importantly, rarely has our country attempted transformation of our services while war is being conducted on several fronts.

As you know, the Navy is engaged from the top down and ground up in transformation of the Navy and Fleet response - developing expeditionary forces, redoing training matrices, procuring new technologies that will transform Naval war fighting efforts, and now at the same time, implementing massive change of including the Naval Reserve service, in active training matrices.

This is all being done, when our nation called upon the service members of the Naval Reserve – they responded, and now they are finding out their units are going to no longer exist – because we need more efficient, more effective, capabilities based surging forces. These are forces that cost 50 per cent less than any active duty members or unit. They maintain their readiness – directed and reported by active components, at an overall higher sustained rate over time than their active counterpart. The Naval Reserve force knows it must change, and some instances understands better business practices much better than any active member. However, they are now – under the microscope of change, with more to loose than any active force member.

Reservists have not shown any Achilles' heel as of yet. They are willing to sacrifice family and employment to serve their country, unexpectedly. Reservists have shown us time and time again that they'll volunteer when asked, despite the impact of their



personal and professional life. This service beyond self is not appreciated by many on the Active side or in DoD. Yet, they are being used again and again.

Rather than confront budget appropriators, the Active Components have been content to fill their force shortfalls with Reserve manpower, and this have been arguably good for the country.

If there is a raw nerve among Reservists, it is caused by how individuals are being utilized, and how often that individual is being called up. Pride and professionalism is a large factor in the profile of a Reservist as it is with any individual member of the Armed Services. They want to be used how they have been trained, and they want to complement the Active Forces. Recall and proper use of reservists needs constant monitoring and attention. We agree that transformation of legacy personnel manpower program is overdue. But, Congressional involvement in personnel transformation is mandatory, along with out side independent involvement.

Over and over, Reservists are asked to make a voluntary mid to long term commitment of combining drills with multiple sets of 29 day orders. There was until last year an institutional bias to issuing Reservists one set of orders for longer than 30 days thereby denying them greater entitlements. We still, after your impressive efforts in FY 2004, believe that a continuum of entitlements for all Guard and Reservists requires monitoring.

In today's American way of war, the way a Reservist is used and recalled is vital to successful military operations, and essential to gaining the will of America. This has proven its worth over and over, and is relevant.

The question we are asking is: "Are the DoD legislative initiatives, rebalancing efforts and especially Department of Navy efforts - taking us in the right direction for a sound Military and a strong National Defense?" We hope that DoD is learning lessons from the past to avoid repeating old mistakes in the future, and the Naval Reserve Association stands ready to assist in turning lessons learned into improved policy.

Leaving nothing to chance however, we strongly urge Congress to legislate a Commission on the Transformation of Guard and Reserve of the 21<sup>st</sup> Century. The transformation of our military is dynamic and includes includes the extended utilization of the Guard and Reserve Forces. There are numerous reviews of these issues. We feel it is time for Congress to take a thorough look at these issues with a commission in order to address the many problems that we are experiencing with our Guard and Reserve Forces. A Congressional commission is warranted to review these issues properly.

Mr. Chairman and distinguished members of the committee, thank you for this opportunity. Details of specific issues of concern by our Association follow; we hope you can help address them.

## PERSONNEL

### Selective Reserve MGIB improvements

**Issue:** Currently SelRes MGIB benefits are at 19% of active duty entitlements.

**Position:** This shows clearly the priority of SelRes service members. This benefit should be higher and closer to the 48% mandated benefit. We must consider upgrading this benefit for those members that are responding to our nations call.

### Temporary Recall of Reserve Officers (Three Years or Less)

**Issue:** To properly match the Reserve officer's exclusion from the active duty list as provided for by 10 U.S.C. 641(1)(D) with a corresponding exclusion from the authorized grade strengths for active duty list officers in 10 U.S.C. 523. Without this amendment, the active component would have to compensate within their control grades for temporary recalled Reserve officers who are considered, selected and promoted by RASL promotion selection boards. This compensation causes instability in promotion planning and a reduction in "career" ADL officer eligibility and promotion for each year a Reserve officer remains on "temporary" active duty. Therefore, Naval Reservists are temporarily recalled to active duty and placed on the ADL for promotional purposes. End result – failure of selection due to removal from RASL peer group.

**Position:** Strongly support grade strength relief for the small percentage of Reserve officers who would possibly be promoted while serving on temporary active duty. Granting relief is a Win - Win situation. By removing the instability in promotion planning for the active component, Reserve officers can be issued recall orders specifying 10 USC 641 (1)(D) allowing them to remain on the RASL for promotion purposes.

### Healthcare

**Issue:** Healthcare readiness is the number one problem in mobilizing Reservists. The governments own studies shows that between 20-25% of Guardsmen and Reservists are uninsured.

**Position:** We applaud the efforts of the TRICARE Management Activity. TMA has a strong sense of which the customer is. They emphasize communications, and are proactive at working with the military associations. Congress took decisive action in establishing the temporary Healthcare program for Guard and Reserve Forces during the FY 04 NDAA. NRA would like to see a continued effort at implementing the established TRICARE Health plan for uninsured drilling Reservists, and establishing this program as a permanent program.

## **Early Reserve Retirement**

**Issue:** A one sided debate is being held through the press on whether changes should be allowed to Guard and Reserve to lower the retirement payment age. The Defense Department study on this issue was non conclusive.

**Position:** Over the last two decades and recently more has been asked of Guardsmen and Reservists than ever before. The nature of the contract has changed; Reserve Component members need to see recognition of the added burden they carry. Providing an option that reduces the retired with pay age to age 55 carries importance in retention, recruitment, and personnel readiness.

The Naval Reserve Association suggests a cost neutral approach to this issue that would not be that "expensive."

The Naval Reserve Association recommends for discussion/debate that Reserve Retirement with pay prior to age 60 be treated like taking Social Security retirement early -- if you elected to take it at say age 55, you take it at an actuarially reduced rate.

Most of the cost projected by DoD is for TRICARE healthcare, which begins when retirement pay commences. Again, if one takes Social Security before reaching age 65 they are not eligible for Medicare. NRA suggests that TRICARE for Reservists be decoupled from pay, and eligibility remains at age 60 years

At a minimum, the committee should consider the various initiatives and the cost neutral approach during the debate.

## **FORCE STRUCTURE**

### **Roles and Missions**

**Issue:** Pentagon study has highlighted that the Guard and Reserve structure, today, is an inherited Cold War relic. As a result, the Guard and the Reserve organization has become the focus of "transformation." While it won't be denied that there could be a need for change, transformation for transformation sake could be disadvantageous. Visionaries need to learn lessons from the past, assimilate the technology of the future, and by blending each, implement changes that improve war fighting.

**Position:** Navy has yet to deliver a Vision of use of and equipping of the Naval Reserve Force. A Commission on the Transformation of the Guard and Reserve for the 21<sup>st</sup> Century is warranted.

## **The Reserve Component as a Worker Pool**

**Issue:** The view of the Reserve Component that has been suggested within the Pentagon is to consider the Reserve as of a labor pool, where Reservist could be brought onto Active Duty at the needs of a Service and returned, when the requirement is no longer needed. It has also been suggested that an Active Duty member should be able to rotate off active duty for a period, spending that tenure as a Reservist, returning to active duty when family, or education matters are corrected.

**Position:** The Guard and Reserve should not be viewed as a temporary-hiring agency. Too often the Active Component views the recall of a Reservist as a means to fill a gap in existing active duty manning. Voluntary recall to meet these requirements is one thing, involuntary recall is another.

The two top reasons why a Reservist quits the Guard or Reserve is pressure from family, or employer. The number one complaint from employers is not the activation, but the unpredictability of when a Reservist is recalled, and when they will be returned.

## **100 Per Cent Mission Ownership**

**Issue:** Department of Defense is looking at changing the reserve and active component mix. "There's no question but that there are a number of things that the United States is asking its forces to do," Rumsfeld said. "And when one looks at what those things are, we find that some of the things that are necessary, in the course of executing those orders, are things that are found only in the Reserves."

**Position:** America is best defended through a partnership between the government, the military and the people. The Naval Reserve Association supports the continued recognition of the Abrams Doctrine, which holds that with a volunteer force, we should never go to war without the involvement of the Guard and Reserve, because they bring the national will of the people to the fight. While a review of mission tasking is encouraged, the Active Component should not be tasked with every mission, and for those it shares, no more heavily than their Reserve counterparts. Historically, a number of the high percentage missions gravitated to the Reserve components because the Active Forces treated them as collateral duties. The Reserve has an expertise in some mission areas that are unequaled because Reservists can dedicate the time to developing skills and mission capability, and sharing civilian equivalencies, where such specialization could be a career buster on Active Duty.

## **Augmentees**

**Issue:** As a means to transform, a number of the services are embracing the concept that command and unit structure within the Reserve Component is unnecessary. Reservists could be mustered as individual mobilization augmentees and be called up because often they are recalled by skills and not units.



**Position:** An augmentee structure within the Naval Reserve was attempted in the 1950's/1960's, and again in the 1980's. In one word: Failure! Reservists of that period could not pass the readiness test. The image of the Selected Reservists, sitting in a Reserve Center reading a newspaper originates from the augmentee era. Some semblance of structure is needed on a military hierarchy. Early on, Naval Reservists created their own defense universities to fill the training void caused by mission vacuum.

### **Business Initiative**

**Issue:** Many within the Pentagon feel that business models are the panacea to perceived problems with in military structure.

**Position:** Reservists have the unique perspective of holding two careers; many with one foot in business and one foot in the military. The Naval Reserve Association suggests caution rather than rush into business solutions. Attempted many times in the past, business models have failed in the military even with commands that proactively support.

Among the problems faced are:

- Implementing models that are incompletely understood by director or recipient.
- Feedback failure: "Don't tell me why not; just go do it!"
- The solution is often more expensive than the problem.
- Overburdened middle management attempting to implement.
- Cultural differences.
- While textbook solutions, these models frequently fail in business, too.

### **Equipment Ownership**

**Issue:** An internal study by the Navy has suggested that Naval Reserve equipment should be returned to the Navy. At first glance, the recommendation of transferring Reserve Component hardware back to the Active component appears not to be a personnel issue. However, nothing could be more of a personnel readiness issue and is ill advised. Besides being attempted several times before, this issue needs to be addressed if the current National Security Strategy is to succeed.

**Position:** The overwhelming majority of Reserve and Guard members join the RC to have hands-on experience on equipment. The training and personnel readiness of Guard and Reserve members depends on constant hands-on equipment exposure. History shows, this can only be accomplished through Reserve and Guard equipment, since the training cycles of Active Components are rarely if ever - synchronized with the training or exercise times of Guard and Reserve units. Additionally, historical records show that Guard and Reserve units with hardware maintain equipment at or higher than average material and often better training readiness. Current and future war fighting requirements will need these highly qualified units when the Combatant Commanders require fully ready units.

Reserve and Guard units have proven their readiness. The personnel readiness, retention, and training of Reserve and Guard members will depend on them having Reserve

equipment that they can utilize, maintain, train on, and deploy with when called upon. Depending on hardware from the Active Component, has never been successful for many functional reasons. The NRA recommends strengthen the Reserve and Guard equipment in order to maintain -- highly qualified trained Reserve and Guard personnel.

### **Closure of Naval Reserve Activities**

**Issue:** Discussion has emerged, suggesting that a large number of Naval Reserve Centers and Naval Air Reserve Activities be closed, and that Naval Reservists could commute to Fleet Concentration Areas to directly support gaining commands and mobilization sites.

**Position:** The Naval Reserve Association is opposed to this plan for the following reasons.

- A. The Naval Reserve is the one Reserve component that has Reserve Activities in every state. To close many of these would be cutting the single military tie to the civilian community.
- B. The demographics of the Naval Reserve is that most of the commissioned officers live on the coasts, while most of the enlisted live in the hinterland, middle America. The Naval Reservists who are paid the least would have to travel the farthest.
- C. The active duty concept of a Naval Reserve is a junior force, a structure based upon enlisted (E1-E3s) and officers (O1 - O2's) billets that can't be filled because the individuals haven't left the fleet yet. When the Coast Guard "transformed" its Reserve force, it was a forced a restructuring that RIFFed many senior officer and enlisted leadership from the USCGR ranks, and caused a number of years of administrative problems.
- D. If training at fleet concentration centers was correctly implemented, the Navy should bear the expense and burden of transportation and housing while on site. Additionally, at locations such as Naval Station Norfolk, the overlap of Active Duty and Reserve training has shown an increased burden on Bachelor Quarters and messing facilities. Frequently, Reservists must be billeted out on the economy. With these extra costs, training would prove more expensive.
- E. Such a plan would devastate the Naval Reserves; retention would plummet, training and readiness would suffer.

### **SUMMARY**

#### **Commission on Transformation of Guard and Reserve of 21<sup>st</sup> Century**

The transformation of our military is dynamic and includes the extended utilization of the Guard and Reserve Forces. There are numerous reviews of these issues. We feel it is time for Congress to take a detailed look at these issues with a commission in order to address the many problems that we are experiencing with our Guard and Reserve Forces. A Congressional commission is warranted to review these issues properly.

The Four "P's" can identify the issues that are important to Reservists: Pay, Promotion, Points, and Pride.

**Pay** needs to be competitive. As Reservists have dual careers, they have other sources of income. If pay is too low, or expenses too high, a Reservist knows that time may be better invested elsewhere.

**Promotions** need to be fairly regular, and attainable. Promotions have to be through an established system and be predictable.

**Points** reflect a Reservist's ambitions to earn Retirement. They are as creditable a reinforcement as pay; and must be easily tracked.

**Pride** is a combination of professionalism, parity and awards: doing the job well with requisite equipment, and being recognized for ones efforts. While people may not remember exactly what you did, or what you said, they will always remember how you made them feel.

If change is too rapid anxiety is generated amid the ranks. As the Reserve Component is the true volunteer force, Reservists are apt to vote with their feet. Reservists are a durable resource only if they are treated right. Navy plans do not provide for these key points and do not treat the reservist correctly. Current conditions about the world highlights the ongoing need for the Reserve Component as key players in meeting National Security Strategy; we can't afford to squander that resource.





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**QUESTIONS AND ANSWERS SUBMITTED FOR THE  
RECORD**

**MARCH 31, 2004**

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### QUESTIONS SUBMITTED BY MR. MCHUGH

Mr. MCHUGH. Has anybody costed that out what the bill would be from December 31 to the end of the fiscal year on September 30, 2005, because there is no money in the budget to do that, that the administration sent up, as you are aware? Would that be something that perhaps the administration would consider as including it in the supplemental?

Secretary HALL. Our estimate for Fiscal Year 2005 for extending Section 702 of the National Defense Authorization Act for Fiscal Year 2004 for a full year is \$497 million. However, this is if it were implemented for all eligible Reservists. We have proposed doing a demonstration and, of course, that cost would depend on the size of the demonstration. We believe that \$50 million would be sufficient for the demonstration.



















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